51

PROPERTY MANAGEMENT BY MINISTRY OF EXTERNAL AFFAIRS

MINISTRY OF EXTERNAL AFFAIRS

PUBLIC ACCOUNTS COMMITTEE 2007-2008

FIFTY-FIRST REPORT

FOURTEENTH LOK SABHA

LOK SABHA SECRETARIAT
NEW DELHI

FIFTY-FIRST REPORT

PUBLIC ACCOUNTS COMMITTEE
(2007-2008)

(FOURTEENTH LOK SABHA)

PROPERTY MANAGEMENT BY MINISTRY OF EXTERNAL AFFAIRS

MINISTRY OF EXTERNAL AFFAIRS

Presented to Lok Sabha on 24-8-2007
Laid in Rajya Sabha on 24-8-2007

LOK SABHA SECRETARIAT
NEW DELHI
August, 2007/*Sravana*, 1929 (*Saka*)

PAC No. 1836

Price: Rs. 86.00

© 2007 By Lok Sabha Secretariat

Published under Rule 382 of the Rules of Procedure and Conduct of Business in Lok Sabha (Eleventh Edition) and printed by the Manager, Govt. of India Press, Minto Road, New Delhi-110002.

CONTENTS

PAGE

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE (2007-2008) ..... (iii)

INTRODUCTION ..... (v)

REPORT Part - I Background Analysis 1

Part - II Observations and Recommendations 34

ANNEXURES

I. Minutes of the sittings of the Public Accounts Committee held on 8th and 9th January, 2007 42

II. Minutes of the sitting of the Public Accounts Committee held on 18th July, 2007 46

APPENDIX

Report of the Comptroller and Auditor General of India for the year ended 31 March, 2004 (No. 17 of 2005), Union Government (Civil—Performance Audit) relating to **"Property Management by Ministry of External Affairs"**.. 48

COMPOSITION OF THE PUBLIC ACCOUNTS COMMITTEE
(2007-2008)

Prof. Vijay Kumar Malhotra — *Chairman*

Lok Sabha

2. Shri Kirip Chaliha
3. Shri Khagen Das
4. Shri P.S. Gadhavi
5. Shri R.L.Jalappa
6. Shri Raghunath Jha
7. Shri Bhartruhari Mahtab
8. Dr. Rajesh Mishra
9. Shri Brajesh Pathak
10. Prof. M. Ramadass
11. Shri K.S. Rao
12. Shri Mohan Singh
13. Shri Rajiv Ranjan 'Lalan' Singh
14. Shri Kharabela Swain
15. Shri Tarit Baran Topdar

Rajya Sabha

16. Shri V. Narayanasamy
17. Prof. P.J. Kurien
18. Shri Janardhana Poojary
19. Shri Suresh Bhardwaj
20. Shri Prasanta Chatterjee
21. Dr. K. Malaisamy
22. Shri Ravula Chandra Sekar Reddy

SECRETARIAT

1. Shri S.K. Sharma — *Additional Secretary*
2. Shri A.Mukhopadhyay — *Joint Secretary*
3. Shri Brahm Dutt — *Director*
4. Shri Ramkumar Suryanarayanan — *Under Secretary*
5. Smt. Anju Kukreja — *Committee Officer*

INTRODUCTION

I, the Chairman, Public Accounts Committee, as authorised by the Committee, do present this Fifty-first Report relating to "Property Management by Ministry of External Affairs" on the Report of Comptroller & Auditor General of India for the year ended 31 March, 2004 (No. 17 of 2005), Union Government (Civil—Performance Audit).

2. The Report of the Comptroller & Auditor General of India for the year ended 31 March, 2004 (No. 17 of 2005), Union Government (Civil—Performance Audit) was laid on the Table of the House on 20th December, 2005.

3. The Committee took evidence of the representatives of the Ministry of External Affairs on the subject at their sittings held on 8th and 9th January, 2007. The Committee considered and finalised this Report at their sitting held on 18th July, 2007. Minutes of the sittings form Annexures to the Report.

4. The Committee would like to express their thanks to the officers of the Ministry of External Affairs for the cooperation extended by them in furnishing information and tendering evidence before the Committee.

5. The Committee place on record their appreciation of the assistance rendered to them in the matter by the Office of the Comptroller and Auditor General of India.

6. The Committee also place on record their appreciation for the invaluable assistance rendered to them by the officials of Lok Sabha Secretariat attached with the Committee.

NEW DELHI;
24 *July*, 2007
02 *Sravana,* 1929 (*Saka*)

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

REPORT

PROPERTY MANAGEMENT BY MINISTRY OF EXTERNAL AFFAIRS

PART I

Background Analysis

I. Introductory

The Ministry of External Affairs (MEA) manage properties both in the country and abroad. There are two types of properties, one is owned and the other is leased, both in India and abroad. Since its inception, the MEA has been engaged in purchase of plots of land as well as of built up properties all over the world to reduce rental liabilities. The MEA is**,** *inter-alia* responsible for acquisition and maintenance of properties owned by the Government of India (GoI) in India and abroad. Of the 164 Missions/Posts abroad, there are Government owned chancery buildings at 77 places, residences for Ambassadors/Head of Missions at 83 stations, 159 flats for officers at different levels at 37 stations and 451 other residences at 30 stations. Other chanceries, embassy residences (ER) and residences for officers and staff are located in rented buildings. In addition, MEA also oversees the construction, maintenance and hiring of properties housing its headquarters and subordinate offices within the country.

II. Functions of MEA for Property Management

2. The major functions of the MEA relating to Property Management *i.e*. acquisition, construction, leasing, maintenance and disposal of properties in India and abroad as stated by the MEA are as under:—

> " Conscious of the need to reduce increasing expenditure on renting of office and residential properties abroad, the Ministry of External Affairs, has over the years, engaged itself in moving in a planned way, to acquire built up properties, to construct on the plots already acquired, and to acquire land for construction, wherever economically viable. The focus has been on high rental stations. The tools used for this purpose are a five years comprehensive action plan, and allocating adequate funds in the Capital Outlay Budget of the Ministry.
>
> Properties abroad are rented taking into account the prescribed area norms; requirement of rooms based on family size; functional requirements; security situation; and the prevailing rentals in the local market. After careful examination of all the relevant factors and parameters, the Ministry fixes individual rentals or rental ceilings for different levels of officers for a particular Mission/Post abroad. Subject to a ceiling of monthly rent of US $ 920/- in each case, the Heads of Mission/Post abroad also have full delegated financial powers for hiring properties.

For regular maintenance of Government owned properties, Heads of Missions/ Posts have been delegated some financial powers, out of their own budgets, depending on the age of the property. In case of need for major repairs/alterations etc., the Missions are required to obtain Ministry's financial approval, as well as a budget allocation from the Ministry's Capital Outlay Budget.

While preparing Budget Estimates and Revised Estimates, the Ministry consults the Missions and encourages them to foresee and plan their major repair/ alteration needs, so that the Capital Outlay Budget is framed realistically and can be used purposefully.

Instances where disposal of a property is required are rare. In such cases, the instructions laid down in the General Financial Rules are followed.

All construction projects of the Ministry are constantly being monitored by the Projects Division in regular consultation with the concerned Missions and the consultants."

III. Organizational Set-up

3. The Establishment Division of MEA headed by the Joint Secretary (Establishment) administers the expenditure relating to the capital outlay on purchase of properties, construction and renovation projects including renting and maintenance of properties in India and abroad. JS (Estt.) is assisted by a Director and two Under Secretaries. Two officers on deputation from CPWD, of the rank of Superintending Engineer and Senior Architect, provide assistance in technical matters. As far as Missions/Posts are concerned, Head of Mission/Post is the overall controlling officer for the management of properties abroad. He/She is supported by Head of Chancery and other officials for carrying out this task.

4. A new division, called Projects Division, headed by a Joint Secretary, was set up in MEA with effect from 15 February, 2005, to handle exclusively the work relating to the Ministry's proposals for acquisitions of property/construction of projects in India and abroad, including major repairs/alteration proposals and disposal, wherever necessary.

IV. Audit Examination

5. Audit examined MEA's performance pertaining to acquisition of land, construction of projects, renovation of built up properties, upkeep of properties as also their disposal with a view to assessing the efficiency, economy and effectiveness of property management. For this purpose, audit test checked related records maintained both in MEA and 46 Missions and Posts abroad for the period 1999-2000 to 2003-04.

V. Gist of Audit Findings

6. Audit review [C&AG's Report No. 17 of 2005 – Union Government (Civil— Performance Audit)] has brought the following lacuane in the Property Management by MEA: —

- Entire system of management of properties by MEA was characterized by delays both in acquisition and construction of properties abroad as well as in India.
- Although the Public Accounts Committee [108th Report (8th LS)] and the Standing Committee on MEA [1st Report (12th LS) and 11th Report (13th LS)] had recommended that MEA should take steps to minimise the expenditure on rentals, the delays on the part of MEA/Missions/Posts resulted in such expenditure actually increasing over the years.
- MEA did not utilise the capital outlay for public works and housing in full and reported substantial savings under both the 'Heads'.
- MEA's inability to acquire land at two stations abroad on reciprocal basis resulted in recurring annual expenditure of Rs. 1.84 crore on rentals.
- MEA could not commence construction on 14 plots of land abroad for years together owing to delay in finalisation of pre-construction requirements resulting in recurring expenditure of Rs. 11.80 crore per annum on rentals, blocking of capital of Rs. 13.81 crore and increase in cost of construction.
- MEA could not re-develop/re-construct properties at three stations abroad.
- MEA's indecision to dispose the properties lying vacant at Bangkok, Damascus, Dar-es-Salaam, and Bonn led to idling of capital of Rs. 1.30 crore.
- Two properties were purchased but their titles have not been got transferred to the Government of India even after a lapse of more than 10 years resulting in land lying unutilized, putting the investment itself as stake.
- MEA did not complete pre-construction formalities even in the case of construction projects in India. In Pappankalan (Dwarka) residential quarters project in Delhi, out of 230 flats constructed in India after investing Rs. 21.17 crore for housing the officers and the staff of MEA, 180 were lying vacant (as on February 2005).

7. The Committee have examined in detail the various issues raised by the Audit in their Report. The same have been discussed in detail in the succeeding Paragraphs.

VI. Recommendations of PAC / Standing Committee of Parliament on MEA

8. The Public Accounts Committee in their 108th Report (1987-88) –Eighth Lok Sabha, had desired that the Ministry of External Affairs (MEA) should prepare a pragmatic plan, for reducing the periodically increasing rental outgo on their leased properties to the barest minimum. The Standing Committee of Parliament on MEA also emphasized in their 1st Report (12th LS) the need for gradual replacement of rental expenditure on properties with sound investment in suitable properties. In April 2003, the standing Committee in their Eleventh Report (13th Lok Sabha) expressed serious concern over rising rental expenditure and the delay in construction on a plot in

Brazil. The Standing Committee also expressed their unhappiness over the failure of MEA to comply with earlier directives resulting in losses to the exchequer and recommended that MEA should devise a well defined long term policy with continuous planning, monitoring, evaluation and control for efficient long term cost management of properties abroad.

VII. Follow-up action taken by the MEA on Recommendations of Parliamentary Committees

9. Specifying the follow-up action taken by the Ministry on the Recommendations made by the PAC as well as the Standing Committee of Parliament on MEA on the issues relating to Property Management, the Ministry in a note stated:—

> "In the last two years, the Ministry has put in place a number of corrective measures which have yielded significant results. Some of these measures are:
>
> (a) A new Projects Division was set up in February, 2005 to improve the property management through timely finalisation of proposals for purchase, construction as well as renovation proposals of Government properties both in India and abroad.
>
> (b) Two separate five year action plans have been prepared starting from the current Financial Year for acquisition of built-up properties and for construction. The focus of these plans has been on high rental stations and construction on the plots of land lying vacant. Implementation of these plans should result in gradual decrease in rental liabilities. Also, the future efforts would be focused more on purchase of built up properties abroad as past experience has shown that construction proposals get subjected to a number of local factors leading to delays, on which the Government has no control.
>
> (c) To speed up the process of financial approvals for the overseas projects, the Ministry worked with the Ministry of Finance for enhancement of the delegated powers of the Ministry for purchase/construction of GoI properties abroad. From Rs. 15 crore, this was raised to US $ 10 million for North America, Euro 7.5 million for Europe, Yen 1,000 million for Japan and US $ 5 million for other areas.
>
> (d) Each construction project now has a targeted time frame and is constantly monitored by the Projects Division, in addition to review by the Additional Secretary/Foreign Secretary every month. Regular site meetings are held for monitoring the progress of the projects in Delhi.
>
> (e) Comprehensive check-lists have been prepared and sent to the Missions for acquisition of built-up properties and plots of land to ensure economic viability, clear title to the property as well as structural soundness of built-up properties.
>
> (f) The procedures to enable realistic estimation of Capital Outlay Fund requirements have been streamlined.

(g) A computerized asset register has been developed. In addition copies of title deeds of all the Government-owned properties are being compiled in the Ministry".

10. While informing of the outcome of the above-said follow-up action taken, in this regard the MEA stated that the long term action plans have started yielding results with better utilization of the capital outlay budget.

11. In this connection, the Secretary, MEA also added during evidence before the Committee that as a result of starting the Projects Division and streamlining the management, there has been progress on every single project covered in the C&AG Report.

VIII. Audit Paragraphs

(A) Financial Outlay (Paragraph 4)

12. The year-wise budget estimates and actual expenditure incurred by MEA under Capital Outlay—Housing and Public Works for the period 1999-2000 to 2004-05 are given in the Tables below:—

Capital Outlay on Housing: Government Residential Buildings

(Rupees in crore)

Year	Budget Estimates (BE)	Actual Expenditure (AE)	Excess (+)/ Savings (-)	Percentage of Excess/Savings
1999-00	30.00	13.83	(-) 16.17	(-) 53.9
2000-01	30.00	26.13	(-) 03.87	(-) 12.9
2001-02	27.00	08.39	(-) 18.61	(-) 68.9
2002-03	36.59	33.53	(-) 03.06	(-) 08.4
2003-04	35.00	14.25	(-) 20.75	(-) 59.3
2004-05	25.00	06.07	(-) 18.93	(-) 75.7

Capital Outlay on Public Works: Construction

(Rupees in crore)

Year	BE	AE	Excess (+)/ Savings (-)	Percentage of Excess/Savings
1999-00	70.00	63.49	(-) 06.51	(-) 09.3
2000-01	70.00	53.65	(-) 16.35	(-) 23.4
2001-02	67.20	25.43	(-) 41.77	(-) 62.2
2002-03	67.20	11.77	(-) 55.43	(-) 82.5
2003-04	68.00	22.34	(-) 45.66	(-) 67.1
2004-05	70.00	31.83	(-) 38.17	(-) 54.5

13. A comparison of actual expenditure with budget provisions shows that there was gross under-utilisation under Capital outlay on Housing-Government Residential Buildings which was as high as 53.9 percent to 75.7 percent in 1999-2000, 2001-02, 2003-04 and 2004-05 in several cases. Similarly, percentage of under-utilization in Capital outlay on Public Works-Construction was in some cases as high as 54.5 to 82.5 during 2001-02 to 2004-05. This indicated that MEA had not assessed the requirement of funds correctly.

14. When asked by the Committee to specify the reasons for the recurring under-utilisation of funds under the heads, the MEA in a written reply stated as under:—

> "One of the main reasons for under-utilisation of Capital Outlay budget over the period 2000-2001 to 2004-2005 has been that a number of property acquisitions envisaged during this period did not materialize. Moreover, till the beginning of 2005, property management was a subsidiary function of Ministry's Establishment Division which looks after all the housekeeping activities and service functions of Headquarters as well as Missions abroad. Delays in obtaining approvals were also caused due to inadequate financial powers of the Ministry to purchase or to construct properties abroad."

15. Replying to a query about the steps taken for optimum utilization of the funds allotted under these heads, the Ministry informed the Committee as under:—

> "To correct these systemic deficiencies, enhanced delegated powers, for purchases and for construction abroad including renovation, have already been obtained from the Ministry of Finance. In addition, Ministry has circulated detailed guidelines to all the Missions to enable them to send viable proposals. To expedite purchase decisions, the Ministry sends empowered teams from Headquarters. Since the creation of the Projects Division in February, 2005, nine properties have been purchased. The creation of this Division has also brought greater and continuous focus to the work of construction on our plots of land.
>
> The budget estimation process has been streamlined to make it more realistic."

16. The MEA further added:—

> "As a result of all these steps, there has been a turnaround in the utilisation of the Capital Outlay budget since last year, when expenditure was Rs. 91 crores as against the initial budget allocation of Rs. 66 crores. Sanctions for expenditure of over Rs. 100 crores have already been issued so far in this financial year and the Ministry expects to utilize the entire allocation of Rs. 160 crores."

17. As regards the mechanism available with the Ministry to ensure utilization of grants released earlier before releasing additional funds, the Ministry in their written reply submitted as under:—

> "Before release of funds, details of expenditure incurred on the project are ascertained from the spending Mission/Post, or the agency which has asked for additional funds, *e.g.*, CPWD. The demand for release of funds is examined

and processed on file, with reference to the overall project sanction, the funds already released, the expenditure already incurred, balance funds available under the project sanction, justification for additional work (if involved), and the reasonability of the estimate. In each case, release of funds is authorized with concurrence of the Integrated Finance Division of the Ministry. Thus, the demand is processed within the overall administrative and financial framework of the project. In case the demand exceeds the financial approvals available, and is for essential and unavoidable work, the approval of the competent authority is sought for additional expenditure.

Concurrence of the Financial Adviser in MEA is obtained, wherever required, and cases requiring approval of Ministry of Finance, or Committee on Non-Plan Expenditure, or the Cabinet, are also processed with the concurrence of the Financial Adviser."

(B) Steadily increasing rentals (Paragraph 4.3)

18. The details of actual expenditure incurred by MEA on rent during 1999-2000 to 2004-2005 are as follows:—

(Rupees in crore)

Year	2052	2061 External Affairs		Total
	Sectt. Gen. Service Rent Rates & Taxes	Embassies and Missions	Passport and Immigration Offices in India	
1999-00	5.77	156.23	1.85	163.85
2000-01	11.78	157.25	4.16	173.19
2001-02	10.63	170.68	5.92	187.23
2002-03	06.40	191.92	3.62	201.94
2003-04	06.91	198.18	3.75	208.84
2004-05	07.12	204.07	4.18	215.37

19. It has been observed from the above table that despite the recommendations of PAC and the Standing Committee of Parliament on MEA, expenditure on rentals steadily increased from Rs. 163.85 crore in 1999-2000 to Rs. 215.37 crore in 2004-2005.

20. Explaining the reasons for the increase in rental liability of the Missions, the Ministry stated that this is mainly due to : (a) Depreciation of Indian Rupee *vis-à-vis* US Dollar, (b) Opening of new Missions/Posts in eight places since 2002, (c) Surge in rentals particularly in the Gulf, East Europe and Central Asia.

21. When asked about the action taken to contain the steady increase in the rental expenditure, the Ministry in a written note informed as under:—

"While the expenditure under RRT head of Missions/Posts has increased during 1999-00 to 2005-06, it could kindly be seen from the statement attached

that the percentage of expenditure under RRT *vis-à-vis* a total expenditure of Missions/Posts abroad has started coming down in the recent years —from 24.62% in 2003-04 to 24.03% in 2004-05 and further down to 23.04% in the year 2005-06.

The rental scenario in the international market has surged due to high oil prices besides heavy depreciation of US Dollar against major international currencies. Also Ministry has opened new Missions/Posts in Afghanistan, Birgunj (Nepal) and Abuja (Nigeria). Two new Missions/Posts in Kinshasha (Democratic Republic of Congo) and Melbourne (Australia) have recently been opened.

With a view to reduce its rental liabilities this Ministry has prepared a five year comprehensive action plan to acquire built up properties and construct our own buildings for residences/offices at high rental and other stations. This action plan envisages purchase of properties in 23 stations in addition to construction of properties in 23 stations in the next five years up to financial year 2009-10. This Plan will, however, require adequate budgetary support."

22. The MEA have further added:—

"Rental ceilings have been fixed by the Ministry in many stations to contain increase in rentals. A coordinated action plan for acquisition of properties in places where rentals are high under implementation. The Ministry has also issued instructions to Missions abroad to observe austerity in hiring accommodations abroad. The last circular was issued on 14.11.2005."

23. From a statement showing number of properties acquired on rent during the past three years in India and abroad furnished by the Ministry, it is revealed that at 24 stations there is increase in the number of rented properties during the past three years *i.e*. from 2003-04 to 2005-06. Out of which in Islamabad alone the increase in number of rented properties is highest among all which has increased from 28 in 2003-04 to 69 in 2005-06.

24. On being asked about the details of the rental outgo in respect of Missions/ Posts abroad during the past three years, the Ministry submitted as under:—

(Rs. in crore)

Sl. No.	Rented Properties	Financial Year 2003-2004	Financial Year 2004-2005	Financial Year 2005-2006
1.	Chanceries	40.13	42.16	42.53
2.	Residences	158.05	161.91	164.85
	Total	198.18	204.07	207.38

25. Further, regarding rental outgo in respect of rented properties in India, the Ministry submitted:—

(Rs. in crore)

Financial Year	Rent for Akbar Bhawan	Rent for ISIL Building	Rent for Passport Offices
2003-04	6.24	0.27	3.24
2004-05	6.91	-do-	3.30
2005-06	12.25	-do-	3.31

26. To a query about the number of properties, shifted from the rented building to MEA's own constructed building during the last three years and the amount of savings made on account of rent, the Ministry replied as under:—

> "In the last three years, a total of five Chanceries and Embassy Residences have been shifted from rented buildings to Government owned buildings, both constructed and purchased. Two more acquired properties are under renovation. The total annual savings on rentals on account of shifting to these seven Government owned properties amount to Rs. 3.62 crores".

27. Asked about the action initiated to acquire properties for high rental Chanceries and Embassy Residence in order to save the rental outgo, the MEA stated:—

> "Two separate five year action plans have been prepared, starting from the current Financial Year, for acquisition of built-up properties and for construction. The focus of these plans has been on high rental stations and construction on the plots of land lying vacant. Implementation of these plans should result in gradual decrease in rental outgo".

(C) Properties/Projects abroad (Paragraph 5)

28. MEA's guidelines of August 1986 stipulated *inter alia* that, before a property was purchased or constructed, economic viability of the deal was invariably to be considered. The economic cost is computed taking into account the present rent, the rate of compound increase in rent during the last ten years and working out rent to be paid for the next thirteen years. If the cost of acquisition/construction of property in question was within the economic cost so arrived, the proposal was to be considered economically viable.

29. Audit review indicated that MEA did not maintain a consolidated record of all Government owned or leased properties. They did not take any action on the status reports submitted by their Establishment Division between June 2003 and April 2004. MEA stated (July 2004 and February 2005) that they had started a 'box file' with provision for detailed information on Government properties abroad on the basis of data called from the Missions. For monitoring the progress of construction of various projects, MEA had, on the recommendation of the Standing Committee of the Parliament on External Affairs, constituted a Committee in June 2003 headed by the

Foreign Secretary. They also stated (February 2005) that with the creation of a new 'Project Division', they proposed to hold regular review meetings and monitor progress of the projects at the level of Foreign Secretary on a monthly basis.

30. The Committee desired to know as to whether there is any centralized arrangement in the Ministry to have an up-to-date database of all Government owned or leased properties, the Ministry informed that they have always been maintaining records of Government owned properties. The new Projects Division is maintaining computerized data on Government owned properties abroad and in India. For leased properties, the database is kept in the form of annual returns of leased properties obtained from each Mission/Post.

31. On being asked as to how is the progress of various construction projects being monitored, the Ministry in a written note replied:—

> "Each project is constantly monitored by the Project Division. In addition, the projects are reviewed every month at the levels of Additional Secretary/Foreign Secretary. Regular site meetings are held for monitoring the progress for projects in Delhi. Missions monitor the progress of the projects during the construction phase in regular consultation with the Projects Division. The regular monitoring has helped in timely implementation of projects".

(D) Inability to acquire land on reciprocal basis (Paragraph 5.4)

32. The Vienna convention made reciprocity the cornerstone of diplomatic relations between countries. Land allotted by countries to each other's diplomatic Missions/Posts was also to be based on this principle. Audit scrutiny of the records has revealed that while MEA furnished information on land allotted to Foreign Missions in India, it did not furnish the information regarding reciprocal allotment of land to Indian Missions in those countries. Audit could not, therefore, check whether the principle of reciprocity was observed. Audit examination, however, indicated that MEA could not acquire plots of land from the Governments of Ethiopia and Algeria on reciprocal basis even after a lapse of 46 years and 20 years respectively. This resulted in the Mission continuing to incur annual expenditure of Rs. 60.52 lakh on rentals for its Chancery, Embassy Residence (ER) and other residences at Addis Ababa (Ethiopia) and Rs. 1.23 crore in Algiers (Algeria).

33. MEA stated (February 2005) that the Mission at Addis Ababa had repeatedly taken up the issue with the Foreign office of Ethiopia and the latest reminder was issued in December 2004. MEA was also putting pressure through Ethiopian embassy in New Delhi. It further added that the Mission at Algiers was being asked to obtain suitable offers from the Algerian Government failing which the Mission might explore the possibility of purchasing land/built-up property on commercial terms.

34. The Committee desired to know as to whether reciprocal agreements exist in respect of all the countries whose Missions had been allotted land in India. The Ministry submitted in a note that pursuant to a directive dated 9.7.1998 from the Prime Minister's Office, the practice of allotting land to foreign Missions in India on a

nominal rent on long lease was discontinued (except where firm commitments had been made before the directive, for gift/exchange/sale of land). Allotments of prime land in the diplomatic area of Chanakyapuri are now made at commercial values fixed by the Ministry of Urban Development.

Other than Ethiopia and the Russian Federation, the Government of India has obtained land through reciprocal exchange in all other countries, who were allotted land in New Delhi.

35. Enumerating the reasons for not acquiring plots of land from the Governments of Ethiopia and Algeria on reciprocal basis even after a lapse of 46 years and 20 years respectively and the latest position to acquire the same, the Ministry stated as under:—

(i) Ethiopia

Till early 2006, the Ethiopian Government had not been able to fulfil the requirement of a suitable plot of land for our Mission in Addis Ababa. Even the Property team that visited Addis Ababa in April 2006 found the plots offered then by the Ethiopian side unsuitable. Following the recommendations of the Team and follow up action by our Mission, the Ethiopian side has recently proposed allotment in Addis Ababa of a plot of land of 17395 sq. mts. in which the present Chancery is located. In addition, we have also been offered a plot of land of 2000 sq. mts. in the UN area in Addis Ababa.

The Mission has been advised to accept the offer, subject to terms acceptable to us, *i.e.*, no compensation for the built-up property (Chancery building), and no payment of rental arrears. The Mission has refused to pay the enhanced rent of US $ 5102 for the Chancery premises, demanded by the Ethiopian authorities since 1995, on the ground that the reciprocal land has not been allotted to the Government of India. Since 1962, the Mission has been paying a fixed rent in local currency (currently equivalent to approx. US $ 600), leading to arrears in the books of the local authorities, currently amounting to about Rs. 5 crores).

The offer is likely to be finalised soon. In respect of the balance requirement of 3900 sq. mts., the Mission has been advised to obtain various options from the Ethiopian Government.

(ii) Algeria

The Algerian Government could not identify a plot suitable for our Mission in Algiers. Therefore, the plot offered in Chanakyapuri for the Algerian Embassy was re-allocated to another diplomatic mission in February 2006, thus ruling out reciprocity in this particular case.

One another similar case identified by the Ministry is as under:

(iii) Russian Federation

As per the 1989 Agreement with the erstwhile Soviet Union both sides were to exchange plots of land *inter alia* in Moscow and New Delhi. While we had allotted the

land, the Russian Federation had taken back the plot of land in 2004, earlier allotted to us in Moscow, because of a ruling by one of their courts. Since then, Government of India has been pursuing the issue of allotment of a suitable plot of land in Moscow as well as built-up properties in St. Petersburg and Vladivostok (These built-up properties are in lieu of the plots of land which were to be given by the erstwhile Soviet Union under the 1989 Agreement in Tashkent, Kyiv and Nakhodka). A property team visited Moscow in June 2006 to inspect the plot (5.8 acres) offered by the Russian Government in February 2006 in the new Diplomatic Area of Moscow. The full technical details of the plot to assess its suitability have not been received from the Russian side. This issue was taken up in the discussions with the Russian Property Team on 14.12.2006. The matter is being vigorously pursued.

(E) Delays in construction on acquired land (Paragraph 5.5)

36. Audit review revealed that MEA was not able to commence construction at 14 stations abroad for years together owing to delay in acquisition of land, appointment of consultants, finalisation of designs, cost estimates, delay in obtaining approval of local authorities, etc. Such delays led to continuous recurring expenditure of Rs. 11.80 crore per annum on rentals and blocking of capital of Rs. 13.81 crore on properties lying unutilized. Besides, such delays would also lead to increase in the cost of construction with time.

37. While admitting the delays in construction and purchase in 14 stations abroad and six in India, the Secretary MEA, clarified during evidence that these delays are due to both external factors and systemic inadequacies. The Secretary informed the Committee that until very recently our foreign exchange position did not permit to actually allocate large sums of money for construction and purchase abroad. There were very meagre funds actually for construction abroad.

38. The Ministry further added:—

> "Undertaking of any construction project is a time-consuming process. The Ministry has to deal with several external factors while handling projects abroad over which it has no control. Projects abroad are governed by local laws, rules and regulations. Sometimes projects are delayed for reasons that are difficult to predict or anticipate while planning the projects. Therefore, despite the Ministry's efforts to ensure timely implementation there have been situations in the past where projects have got delayed for reasons such as political instability, plot being taken back by the local government, unforeseen circumstances like the Gulf War or the foreign exchange crisis of early 1990s".

39. On being asked to furnish the current status of the construction of various projects, the Ministry in a note submitted as under:—

> "However, as a result of the corrective measures implemented by the Ministry, tangible progress has been made on all the 14 projects abroad covered in Paragraph 5 of C&AG's Report.
>
> The project in Abu Dhabi has been completed.

Construction has already commenced in Muscat and would commence soon in Abuja, Brasilia, Warsaw, Islamabad, Kathmandu and Dhaka. As for the remaining six projects in Port Louis, Paramaribo, Dar-es-Salaam, Doha, Port of Spain and Nicosia, these are under different stages of pre-construction activity. As such, there is not a single plot of land without a specific action plan for construction.

The timeline has been drawn up taking into account the pre-construction steps already taken as well as the steps yet to be completed. However, implementation of construction plans is subject to availability of adequate budgetary support and the absence of unforeseen factors beyond our control".

40. The Committee sought to know as to how is the execution and completion of these projects being monitored so that the work is completed according to planned time schedule, the Ministry replied that each of these 14 projects is constantly being monitored by the newly created Projects Division headed by a Joint Secretary. In addition, the projects are reviewed every month at the levels of Additional Secretary/ Foreign Secretary. Regular site meetings are held for monitoring the progress for projects in Delhi. Missions monitor the progress of the projects during the construction phase in regular consultation with the Consultants/Project Managers and the Projects Division.

(F) Property lying vacant for want of re-construction/re-development (Paragraph 5.6)

41. Audit examination revealed that MEA did not finalise consultants, scope of work, design briefs, preliminary drawings and estimates for re-development/re-construction of properties at Singapore, Tokyo and Geneva resulting in expenditure of Rs. 2.38 crore per annum on rentals and blocking of capital of Rs. 6.19 crore and increase in cost of re-development/re-construction. The details of these cases are as follows:

Sl. No.	Mission/Post	Audit Observation	Expenditure on rental	Mission/MEA's reply
1.	Singapore	All properties of GOI in Singapore were in dilapidated condition and the Mission had been sending proposals for their redevelopment since 1992. The Embassy Residence (ER) was declared unsafe by the concerned local authority and the HOM was residing in a leased accommodation since December 1995. A high level team led by Cabinet Secretary and comprising Foreign Secretary and Secretary (Expenditure) as members visited Singapore in January 1996, which recommended restoration of embassy residence, commercial	Inordinate delay in re-development of properties resulted in expenditure of Singapore $ 2.783 million (Rs. 7.73 crore) from December 1995 to October 2004 on alternate accommodation. The outgo on rent continued at Rs. 81.08 lakh per annum.	MEA stated (February 2005) that CNE had approved the project at a cost of Rs. 22.31 crore in October 2004 subject to certain clarifications, which had been obtained from the consultant, and the proposal was being processed for final approval of the CNE. It further stated in

Sl. No.	Mission/Post	Audit Observation	Expenditure on rental	Mission/MEA's reply
		exploitation of chancery building and re-development of staff residences to accommodate chancery and cultural centre. The plan for re-construction of HOM's residence, construction of two residential units and re-development of the remaining two properties was approved only in May 2002. MEA went on revising the cost estimates of the project and was yet to accord approval (October 2004).		October 2005 that CNE had approved the proposal in April 2005. Tender documents were being prepared and the Mission was seeking expression of intent of the intended contractors for pre-qualification of contract.
2.	Tokyo (Japan)	Five properties in Tokyo were old and required redevelopment. The Mission sent a proposal for re-development of these properties to MEA in 1993. Property teams visited Tokyo in 1993, 1995, 1996 and 1997 preceded by a working level team. The residence of Deputy Chief of Mission (DCM) was abandoned in 1997 as it had been declared unsafe. The Mission proposed in March-July 2000 urgent repair to Embassy Residence(ER) and re-development of other properties including construction of a cultural centre. MEA took about ten years to finalise the re-development plan even though various teams visited Tokyo between 1993 and 2002.	Mission ended up incurring expenditure of Rs. 1.57 crore per annum on rentals of leased accommodation.	MEA stated (October 2005) that Design Selection Committee had selected the consultant. Terms of agreement with the consultant and preliminary estimates for the project were under examination.
3.	Geneva (Switzerland)	Paragraphs 6.1 of Report No. 2 of 1993 and 4.2 of Report No. 2 of 1997 of the Comptroller and Auditor General of India had referred to property purchased by PMI Geneva in 1989 that was lying idle. While submitting the action taken note to the Public Accounts Committee, MEA stated (1999) that the proposal to either sell or renovate the property was	Apart from the investment of Rs. 6.19 crore not fetching any return since August 1989, rent amounting to Rs. 5.98 crore had been paid till December 2003 for the residence leased for the Permanent Representative	MEA stated (February 2005) that the formal sanction for S. Fr. 2.72 million (Rs. 10.10 crore) had been issued in August 2004 and approval of local authorities had been obtained in

Sl. No.	Mission/Post	Audit Observation	Expenditure on rental	Mission/MEA's reply
		under consideration. Audit scrutiny revealed that a final decision was yet to be taken on the use of the property that remained idle since 1989, as of October 2004 despite the matter being reported in two Audit Reports presented to Parliament.	(PR), which was continuing.	December 2004. Five contractors had been short listed and financial bids had been called for by the end of February 2005. It further stated in October 2005 that contract had been awarded and construction had commenced in June 2005.

42. When enquired about the reasons for the inordinate delays and the current status of re-construction/re-development of these properties, the Ministry in a written note submitted as under:—

"There were no special bottlenecks in the decision making process, except the lack of a dedicated Division focused on project work. However, there were a number of external factors and/or the planning/designing process took a long time, due to detailed examination of various renovation options, as explained below:

(i) Singapore

High Commissioner's residence was declared unsafe in 1995 and since then the proposal for development of the property had been under active consideration. It was decided to re-construct HCs Residence and include residences of two senior level officers in the complex. After considerable time spent in planning/ designing, the then High Commissioner, in end 2000, recommended reconsideration of the decision to include two other residences in the complex on the grounds that it would compromise the dignity of HC's residence. Thereafter Secretary (ER) visited the station in Dec. 2001 and recommended that the officers' residences could be included in the complex, however, these should be separated from HC's residence by a green buffer zone/chicken mesh fencing, etc.

The resolution of an existing easement right on the plot took additional time, delaying the pre-construction activities till July, 2003.

The CNE gave the final approval in April, 2005. Since then the consultancy agreement has been finalised and the pre-construction activities have been completed.

The project is expected to commence in April, 2007 to be completed by April, 2008.

(ii) Tokyo

The proposals for development of six GOI owned properties had been under consideration in the Ministry since 1992 and five teams of very high functionaries of GOI visited Tokyo in the period from 1992 to 1997, without a final resolution. In 2002, a combined MEA/MOF team visited Tokyo and on their recommendations the re-development plans of the properties were processed. Thereafter an architectural design completion was held for selection of the architect.

The architect selection committee suggested exploring the possibility of demolition and re-construction of the Chancery keeping in view the age of the building, whereas the property team had recommended renovation of the Chancery. The architect was asked to provide cost estimate for both the options, *i.e*., renovation of Chancery and demolition/construction. After obtaining seismic reports, it was decided to demolish and re-construct the Chancery building.

The Cabinet approved the project for re-development of the properties on 7.12.2006. Five contractors have been pre-qualified and tenders were issued on 10.1.2007.

The project is expected to commence in March, 2007 and to be completed by July, 2009.

(iii) Geneva

The renovation of the Geneva property could not be started for a number of years, as the local authorities did not approve our proposal to renovate the property for office use. Subsequently, a number of alternatives, including its use as PR's residence, or Chancery, or disposal, were considered, but ran into difficulties with the local authorities. Finally, in 2001, the utilization of the property as PR's residence after necessary modifications was agreed to. The architect was appointed in 2002. In December, 2003, the financial approval for the renovation project was given. After completion of all pre-construction formalities, the contract was awarded in April, 2005.

The work is in progress and is scheduled to be completed by May, 2007, instead of January 2007 as envisaged in October 2006. The original plan was to implement

the interior works for the project through a local interior designer, which could not materialize as the price quoted was exorbitant. Therefore, the Ministry appointed an Indian interior designer as consultant, which would cause a delay of 4 months beyond January 2007, as a number of items have to be sent from India to Geneva".

(G.) Disposal of GOI owned properties (Paragraph 5.7.1)

43. Audit examination revealed that MEA's indecision to dispose the properties lying vacant at Bangkok, Damascus, Dar-es-Salaam and Bonn led to idling of capital of Rs. 1.30 crore, which in turn contributed to reduction in sale value. The details in this regard are as follows:—

Sl. No.	Mission/ Post	Audit Observation	Idle investment	Mission/MEA's reply
1.	Bangkok (Thailand)	MEA purchased a plot of land measuring 4524 sq. m. in 1974 at a cost of Rs. 25.40 lakh for construction of ER and accommodating staff of the Mission. MEA felt (1988) that it was not suitable for construction of residences, as it had got hemmed in on all sides by construction of buildings. MEA decided only in 1998 to sell the plot.	Investment of Rs. 25.40 lakh remained idle for 30 years and erosion of sale value could not be ruled out.	MEA stated (October 2005) that after an assessment of the plot by a property team, it had been decided to construct embassy residence (ER) and cultural centre on it. Consultants for the project had been short-listed and design brief for conducting a competition among the short listed consultants was under preparation.
2.	Damascus (Syria)	MEA purchased the chancery building in Damascus in 1978 for Rs. 50.26 lakh. A new chancery building was also purchased in April 2002 at a cost of Rs. 14.73 crore including the cost of	The old premises continued to remain vacant resulting in idling of the investment of Rs. 50.26 lakh since June 2003.	MEA stated (October 2005) that it was in the process of taking a decision on

Sl. No.	Mission/ Post	Audit Observation	Idle investment	Mission/MEA's reply
		renovations/repairs, furniture and fittings. The old chancery was vacated and this building was occupied in June 2003.		whether the property was to be sold in Syrian pounds or redeveloped/ remodeled for residential purposes.
3.	Dar-es-Salaam (Tanzania)	One flat/residence of security guard, a government owned property, was lying vacant from 2002 as both the security guards had been accommodated in the chancery building. The area of the flat was 59 sq. m., which was less than the entitlement of a Group 'C' staff member and being a flat it could not be expanded. The Mission had been asked to dispose the property which was not done till February 2005.	The cost or the market value of the property was not ascertainable from the records.	MEA stated (October 2005) that the matter was being pursued by the Mission with the Tanzanian legal corporation to obtain the sale agreement and the lease deed.
4.	Bonn (Germany)	The embassy building at Bonn was purchased in March 1982 at a cost of Rs. 54.08 lakh. An Indian post was opened in Munich in July 2000, which became operational in April 2002 and the office in Bonn was closed from May 2002. The Mission requested MEA only in June 2003 to send a property team for taking a decision on the utilisation of the property in Bonn. MEA did not depute a property team nor had the	Failure of the Mission and MEA to dispose of the government owned building at Bonn of a market value assessed at DM 2 million (Rs. 4.32 crore) in 2001, resulted in blocking of this amount and annual expenditure of	MEA stated (October 2005) that in response to sealed bids invited by the Mission for sale of the property, only one bid was received which was considerably lower than the

Sl. No.	Mission/ Post	Audit Observation	Idle investment	Mission/MEA's reply
		Mission formulated a proposal for disposal or utilisation of the property (October 2004).	Rs. 9.15 lakh on maintenance of the building. The value of the property could be going down with disuse.	value assessed by Bonn board of assessors. MEA had initiated the process for realistic assessment of the value of the property.

44. Asked about the reasons responsible for MEA's indecisiveness on the disposal of properties lying vacant for years at Bangkok, Damascus, Dar-es-Salaam and Bonn and the present status of disposal of these properties, the Ministry, in a written note submitted as under:—

"A variety of local factors and administrative considerations have delayed final disposal or utilization of these properties.

(i) Bangkok

The consultant has been appointed, and the consultancy agreement has been signed in October, 2006. The preliminary estimates are expected soon.

Construction is expected to commence in April, 2008 to be completed by Oct., 2009.

(ii) Damascus

The Ministry had asked the Mission to explore the option of re-modeling the old Chancery building into residential quarters for the staff. The Mission has responded recently that in view of the location of the building in the commercial area, it will not be suitable for residential purposes, and that the Mission would make a proposal for use of the old Chancery building as a Cultural Centre. For this purpose, the Mission has commissioned a feasibility study. The Mission has been asked to complete the study quickly so that a decision could be taken on utilization/disposal of this property.

(iii) Bonn

A property team from the Ministry visited Bonn on 27.12.06, negotiated and finalised the sale of the erstwhile Chancery building in Bonn, to the best advantage of the Government. The sale proceeds have been credited into the Mission's bank account.

(iv) Dar-es-Salaam

The Mission handed over the original sale agreement and lease deed to the Tanzania Legal Corporation on June 20, 1975. These documents were to be returned to the High Commission after signatures of the owner of the flat. However, these documents were not received back from the Corporation. After protracted efforts to retrieve these documents failed, the Mission conducted an official title search of the ownership of the property through the Tanzanian Land Registry so as to facilitate the disposal of this property. As this has also not yielded any positive results so far, the Tanzanian Legal Corporation has advised the Mission to initiate a process for obtaining a fresh title deed on the ground that the High Commission has been in continuous possession of the property since 1975. However, given the institutional problems in the Tanzanian legal system, the Mission is in the process of hiring the services of a legal firm to pursue the matter. In the meantime, the property is being utilized by the Mission to keep various stores of the Mission which are not immediately required, as the Chancery does not have adequate storage facilities. Given Dar-es-Salaam's tropical climate with two rainy seasons, the stores can not be left in the open and have to be kept in a sheltered area".

Miscellaneous irregularities

(H) Acquisition of dilapidated property without a title of land (Paragraph 6.1)

45. According to Audit, the Embassy of India, Kiev acquired a dilapidated built up property in September 1995 at a cost of Rs. 2.53 crore without title to land. As a result, renovation or re-construction of the property was not possible and the entire investment of Rs. 2.53 crore was infructuous. As the proposed construction of residential flats did not take off, the Mission was incurring Rs. 1.14 crore per annum towards rent of the residential apartments for its India based staff.

46. To a specific query of the Committee as to how the MEA/Mission failed to acquire the title of the land in the above mentioned case, the Ministry replied as under:—

"A built-up property on a plot of land measuring 5255 sq. m. was purchased in 1995 at a cost of US $ 8 lakh for use as Chancery in Embassy of India Kiev. At that time, an additional expenditure of US$ 400,000 was approved for essential repairs. This figure was arrived at based on a preliminary survey carried out by a local technical consulting agency.

As far assessment of the structure, the property was purchased on the basis of the report by "Ministry of Housing & Municipal Services of Ukraine Kiev Project Reconstruction Institute" who stated that "the building is in satisfactory technical state."

At the time of purchase, the title was scrutinised and it was known that the land would be lease-hold and not free-hold.

For repairs and renovations, a local company was approved as the consultant and an agreement with the company was signed in 1996. However, the estimates prepared for the renovation work by the consultant in 1997 was over US$ 1.1 million, far exceeding US$ 400,000, the preliminary estimate arrived at in 1995.

The Committee on Non-plan Expenditure decided in November, 1999 to take a view on the issue, after exploring the option of disposal and verification of the cost estimates for renovation.

A technical team which visited Kyiv in March, 2000 recommended demolition of the existing structure and reconstruction as they found that cost for this option was same as that for renovation. The sale option was ruled out as it was resulting in substantial loss.

To process the proposal for demolition and reconstruction, preliminary estimates were received from the Mission in early 2001 (from the consultant appointed in 1997) and it was found that with these estimates the proposal was not economically justified. In order to have a proper assessment, it was decided to select a consultant on a competitive basis, who would be asked to prepare the estimate based on a design brief. It was decided to construct 17 staff residences (later three more were added). This process was completed in 2003 and thereafter the consultancy agreement was concluded in June, 2004. The consultant submitted his preliminary estimates by end 2004.

To assist the Mission in seeking various approvals from the local authorities for construction of the project and for ascertaining the lease charges including the purchase price of land, in case if it is decided to exercise the latter option, the Mission recommended in 2005 for hiring the services of a governmental agency GDIP (General Management for Rendering Services to Foreign Representation Offices). This process involved considerable time for vetting the documents including changes to be made in the consultancy agreement concluded in 2004. When the Mission approached GDIP for signing the agreement, GDIP suggested changes on the earlier agreement proposed by them. This is under process and the Mission is in the process of obtaining clarifications from GDIP.

After signing the agreement with GDIP and after GDIP conveys the related costs involved in the project, the construction of the project is expected to commence in the last quarter of 2008. It is expected to be completed by last quarter of 2009".

(1) Title of property purchased not transferred by foreign Government. (Paragraph 6.2)

47. Audit observed that MEA purchased the embassy residence with a plot area of 17.8604 acre in Harare in March 1987 for Rs. 43.69 lakh without the formal approval of the local Government. The title to the property had not been transferred in the name of Indian Embassy (February 2005). The main objection on the part of the Government of Zimbabwe was that the area of the property was much higher than what could be acquired by diplomatic Missions. Thus, even after a period of 18 years the title to the property was yet to be transferred in the name of Government of India. The excess land was lying unutilised and the investment of Rs. 43.69 lakh was at stake.

48. MEA stated (February 2005) that ever since the date of purchase, the Mission had tried its best to obtain the transfer of the title in favour of GOI without result and in view of the audit recommendation the matter would be taken up with the Zimbabwean authorities on priority.

49. The Committee desired to know as to whether the necessity for acquisition of such a large area of plot (17.8604 acres) for embassy residence assessed before purchase. The Ministry in a written note replied as under:—

> "The Embassy Residence, in Harare, was purchased in March 1987 at a cost of Rs. 43.69 lakh (Z$ 620,000). Government of Zimbabwe has not accorded permission for the title of the property to be transferred to the GOI, as the area of the property was higher than what could be acquired by diplomatic Missions in Zimbabwe.
>
> Government of Zimbabwe agreed to allow us a possession of 8 acres only in 1991, subject to reciprocity in respect of their Mission in Delhi. The Ministry subsequently decided to retain only 7.8 acres and dispose the balance 10 acres on commercial terms.
>
> In February 2006, MEA offered a plot of land of 3510 Sq.mtr. in Chanakyapuri (Rs.45.77 crore which includes a down payment of the ground rent in advance or Rs. 35.5 crore in addition to annual ground rent of about Rs.76.3 lakh).
>
> While making the offer, it has been conveyed to the Government of Zimbabwe that the allotment is on the principle of reciprocity and that the title of the entire plot of land owned by the Government of India should be registered in the name of Government of India".

50. While submitting present status of the case, the Ministry informed as under:—

> "The Government of Zimbabwe was given till April 2006 to respond. Further, at the request of the Government of Zimbabwe, they have been given time till beginning of August 2006 to respond to our offer. Their response is still awaited".

(J) Irregularities in maintenance of properties abroad (Paragraph 6.3)

51. Audit scrutiny of the records pertaining to the maintenance and expenditure on repairs had revealed that expenditure had been incurred in excess of the delegated powers of the Head of Mission (HOM) in three Missions, *viz.*, Canberra (Australia) Chancery (excess expenditure of Rs. 17.36 lakh during 2000-04), Nairobi (Kenya) (excess expenditure of Rs. 2.56 lakh during 2002-04), Kuala Lumpur (Malaysia) Chancery (excess expenditure of Rs. 26.21 lakh during 2001-04). MEA stated (February 2005) that the excess expenditure at Nairobi was being regularised. The relevant details in this regard are as follows:—

(Rs. in lakh)

Sl.No.	Mission	Period	Expenditure incurred	Delegated power	Excess expenditure
1.	Canberra (Australia) Chancery	2000-04	53.82 (4 years)	36.46 (US$ 19270 per annum)	17.36
2.	Nairobi (Kenya) Embassy Residence	2002-04	16.74 (2 years)	14.18 (US$ 15410 per annum)	2.56
3.	Kuala Lampur (Malaysia) Chancery	2001-04	59.22 (3 years)	33.01 (US$ 23120 per annum)	26.21
				Total	46.13

52. Replying to the Audit objections, the Ministry have explained that the Mission in Canberra had not exceeded the delegated financial powers, but merely debited land rent to the repair and maintenance sub-head by oversight. As for the Missions in Nairobi and Kuala Lumpur, the issue is under examination in consultation with the concerned Missions.

52A. The Committee desired to know as to whether the Ministry called for the explanation of the Head of Mission for incurring unauthorized expenditure on repairs and maintenance in excess of delegated powers. The Secretary MEA, in this regard informed the Committee during evidence that MEA is on record for making recovery with interest from officers. He has assured the Committee of their commitment to identify and take action against those responsible for any kind of malfeasance.

53. According to Audit, a provision was made by the Missions by mutual agreement with the lessor in the lease deeds while renting accommodation, making the lessor liable for normal maintenance and repairs of the building so as to keep the premises in good habitable condition. However, three Missions —Islamabad (Pakistan), Nairobi (Kenya) and Maputo (Mozambique) —had incurred expenditure of Rs. 66.09 lakh on maintenance and repairs in violation of this provision as detailed below:—

(Rs. in lakh)

Sl. No.	Mission	Period	Expenditure
1.	Islamabad (Pakistan)	2002-04	31.89
2.	Nairobi (Kenya)	1999-04	14.80
3.	Maputo (Mozambique)	2000-04	19.40
	Total		66.09

54. MEA stated (February 2005) that in respect of Islamabad and Maputo, various factors like security, urgency, the lessor not attending to the requests for carrying out urgent repair and maintenance work were encountered and the Missions were left with no choice but to undertake the essential works to keep the premises habitable. Though the responsibility of normal maintenance and repairs of the buildings rested with the lessor, the Missions/MEA were not able to enforce the same in spite of the existence of otherwise valid lease agreements.

55. The Committee desired to know as to whether the lease deeds provide for recovery of expenditure incurred by missions for normal maintenance work not carried out by the lessor in a reasonable time period. If not, what measures have been taken to include such clause in the format of standard lease deed in order to avoid the situation where the lessor does not respond to the request of Mission for carrying out normal maintenance work for which he is liable, the Ministry in a written note stated as under:—

> "As per international practice, normal day to day repair and maintenance work is the responsibility of the lessee, while major repairs and renovations are carried out by the lessor. Accordingly, our prescribed lease deed is adapted by each mission/post abroad according to local norms and practices. These clauses of the lease deed are adhered to by our Missions while incurring expenditure on repair and maintenance".

56. The Committee further enquired as to whether the Missions at Islamabad (Pakistan), Nairobi (Kenya) and Maputo (Mozambique) recovered from the lessor the expenditure that was incurred on carrying out normal maintenance work, the Ministry informed:—

> "No, in view of the circumstances explained below:
>
> **(i) High Commission of India, Islamabad:** Our Mission in Islamabad has limited its obligation only to minor day-to-day maintenance and repairs of rented properties. According to the calculations provided by HCI, Islamabad, their total expenditure on such repairs was Rs. 7.23 lakhs for 32 rented properties for a period of two years from April, 2002 to March, 2004 and Rs. 1.76 lakhs for India House. Considering the number of properties, this expenditure appears quite reasonable and is covered under the delegated financial powers. The expenditure was also within the allocated budget of the Mission.

In places like Islamabad, for security reasons, the local landlords can not be given free access to the rented properties. If we try to force minor repairs on them, they would obviously need to be provided greater access. Under such a situation, they would also seek higher rent for taking care of day-to-day maintenance.

(ii) High Commission of India, Nairobi: According to the terms of the lease, our Mission in Nairobi is responsible for minor day-to-day maintenance as well as the interiors of the chancery building. Given the importance of our Mission in Nairobi and the presence of a large Indian Diaspora, the Mission's premises have to be maintained well in keeping with India's image. Over a period of five years, the Mission has incurred a total amount of Rs. 14.80 lakhs for this purpose. Given the size of the property and the security requirements of the Mission, this appears quite reasonable and is covered under the delegated financial powers. It may be recalled that in 1997 our High Commissioner was seriously hurt after being attacked by some assailants. As a long term measure, a proposal for acquisition of property for the Chancery in Nairobi is currently under examination.

(iii) Embassy of India, Maputo: The properties under reference have been hired from the local government agency since early 1970s. Because of the prolonged civil unrest in Mozambique and extremely poor economic conditions, the local agency was not able to undertake any maintenance in spite of repeated requests from the Mission. This situation was faced by all the diplomatic Missions there. Under these circumstances, the Mission had no option but to carry out the essential repairs and maintenance work under delegated powers in these properties to keep them habitable. In return, the Mission has not agreed to the increases in rent demanded by the local agency".

57. When asked about the steps taken for proper upkeep of the chancery and residential premises abroad, the Secretary MEA informed the Committee during evidence that the delegated powers of Heads of Missions and Posts abroad for maintenance of properties have been revised upwards recently.

Irregularities in hiring of accommodations abroad (Paragraph 6.4)

(K) Rentals Paid in excess of ceilings (Paragraph 6.4.1)

58. In terms of Para 4(18)(i) of Annexure X of the IFS (PLCA) Rules, rental ceilings have been prescribed by MEA that cannot be exceeded by the missions without prior approval of the government. Audit scrutiny of the records in four Missions – Ulaan Baatar (Mangolia), Wellington (New Zealand), Kuwait and Dar-es-Salaam (Tanzania) revealed that these Missions incurred excess expenditure

of Rs. 95.50 lakh over the prescribed rental ceiling without the approval of MEA as detailed in the following table:

(Rs. in lakh)

Sl. No.	Mission	Rental ceiling	Rental paid	Period	Excess rentals	MEA's reply (February 2005) and *audit rebuttal*
1.	Ulaan Baatar	US$ 550 (Second Secretary)	1200	(i) 9.2.2000 to 14.5.2000	1.64	The Mission had hired the accommodation for a Second Secretary as per the prescribed ceiling. *The reply is not tenable as the rental ceiling of US$900 pm was re-fixed only in July, 2004 whereas the audit comment points to the period up to January 2004. Rents were paid in excess of even the revised ceilings fixed in July 2004 without the approval of MEA.*
		- do -	1100	(ii) 15.5.2000 to 14.5.2002	24.59	
		- do -	1210	(iii) 15.5.2002 to 14.1.2003		
		- do -	1500	(iv) 5.1.2003 to 14.1.2004		
2.	Welling-ton	NZ$ 1868.45 (Assistant)	2036.66	(i) 1.6.2002 to 30.6.2004	1.24	The Mission had paid rentals at higher rates due to shortage of accommodation and increase in the demand of the tenants. *The reply is not tenable as the Mission paid rentals in excess of the rental ceiling without the approval of MEA.*
		NZ$ 1868.45 (Accountant)	1956.50	(ii) 1.3.2003 to 30.6.2004	0.41	
		NZ$ 1303.57 (Counsellor)	2816.16	(iii) 1.5.99 to 31.7.2002	17.35	
		NZ$ 1303.57 (Counsellor)	3012.82	(iv) 1.8.2002 to 30.6.2004	11.57	
3.	Kuwait	Not fixed* Rs. 121.48 lakh incumbents for 24 for one year	Rs. 156.00 lakh for 24 incumbents for one year	2003-04	34.52	The Mission had hired furnished accommodation whereas the ceiling was for unfurnished accommodation. The reply is not tenable, as in cases where the rental ceiling was not fixed, the power delegated to HOM was limited to the rental ceiling of US $ 920 per month, whereas all flats hired by the Mission in Kuwait exceeded the limit.
4.	Dar-es-Sallam	US$ 2500	2750	16.8.01 to 15.8.2004	4.18	No reply was received.
	Total				95.50	

(*rent should not exceed US $ 920 per month as prescribed in the Financial Powers of Government of India's Representatives Abroad.)

59. When enquired about the reasons for incurring the expenditure on rentals in excess of the prescribed ceiling, the Ministry in a written note replied as under:—

"The position regarding each Mission is summarized below:

(i) **Embassy of India, Ulaan Baatar:** In the case of Embassy of India, Ulaan Baatar, a First Secretary level officer with a rental ceiling of US $ 1600 was replaced by a Second Secretary who found an alternative property at a much lower rental of US $ 1100/1200 which was still higher than the rental ceiling fixed for Second Secretaries. This case is under examination with the Vigilance Unit of the Ministry.

(ii) **High Commission of India, Wellington:** Due to misinterpretation of norms, Mission used delegated powers to raise the rent by 10% for continued retention of properties for which rental ceilings had been fixed. Since the increase in rent has been reasonable, the Ministry is processing the case for ex-post-facto approval.

(iii) **Embassy of India, Kuwait:** Audit's contention that Mission had exceeded its powers in paying of high rentals is not correct. As per our records, no rental ceilings have been fixed for Embassy of India, Kuwait and therefore, HOM is entitled to exercise delegated powers for increasing rentals up to 10% for continued retention and up to 15% for renting of an alternate property. Also, by hiring partially furnished accommodations, Mission reduced the GOI liability on account of provision of furniture. We are therefore approaching the audit authorities to settle this Para.

(iv) **High Commission of India, Dar-es-Salaam:** HCI, Dar-es-Salaam misinterpreted the relevant provision of delegated power of GOI's representatives and raised the rentals by 10% for continued retention of one of the residences. The matter has been examined in the Ministry and in view of the justification provided by the Mission, ex-post-facto approval of Ministry has been accorded vide message No. Q/Prop-I/745/14/06 dated 24.6.06".

60. In a subsequent written note the Committee were informed about the following measures that were taken by MEA to improve their internal control in this regard:—

"The Missions have been asked to send all details/data justifying the agreed increases in the rent for consideration of ex-post-facto regularization. The Ministry has also issued clarificatory circulars so as to avoid such instances in future. In September 2006, Ministry has issued the revised "Delegation of Financial Powers of Government of India's Representatives Abroad" enhancing the delegated powers of Missions/Posts abroad. This would address the issue of bottlenecks/constraints faced by Missions/Posts to a great extent."

61. Asked whether mere issuing of clarificatory circular to the Missions to avoid instances of payment of rentals in excess of the ceilings would result in rectifying the irregularities in maintenance of properties in India and abroad, the Ministry in a written note stated:—

"The normal tenure of an officer posted in Mission/Post abroad is 3 years. Interaction with the mission through clarificatory circulars issued from time to

time by the Ministry helps the GOI representatives abroad to update themselves on the latest rules and regulations of the Government of India. Also, before proceeding on a posting to a mission abroad officers are briefed about the latest rules. Our experience shows that these circulars are an effective tool in preventing irregularities. In addition, measures as explained in the response to previous questions are also taken to avoid recurrence of such cases".

62. They have further informed:—

"Detailed data justifying the rental increases have been received from the concerned Missions. In case of Dar-es-Salaam the rental increases have been regularized. In case of Wellington, the matter is under consideration. In case of Ulaan Baatar the case is under investigation with the Vigilance Cell while in case of Kuwait, audit's contention is not tenable".

(L) Irregular/Unauthorised Payments (Paragraph 6.5)

63. Audit review revealed that while hiring accommodations on lease, the Heads of Mission (HOM) of the following Missions exceeded their delegated powers and made irregular/unauthorised payments:—

"(i) The Mission in Beirut hired an accommodation for Embassy Residence (ER) in September 2001 at a rent of US$ 49500 (Rs. 23.43 lakh) p.a. for a period of 37 months from 1 December 2001 to 31 December 2004. MEA while conveying approval to the lease agreement in October 2001 specifically mentioned that no separate agency charges were to be paid for hiring of the said residence. However, the Mission paid agent's commission amounting to Rs. 1.83 lakh violating the instructions of MEA.

(ii) The Mission at Dhaka hired accommodation for Attaché with effect from 1 December 2001 at a monthly rent of Taka 20700 (Rs. 17250) without the approval of MEA and paid rent of Taka 662,400 (Rs. 5.52 lakh) for December 2001 to July 2004. In another case, the Mission hired a new accommodation in July 2001 for the Assistant Defence Advisor at Taka 28750 (Rs. 23958) per month in the place of the existing one, the rent for which was Taka 24,500 (Rs. 20416) per month. The rent of the new accommodation exceeded the delegated financial powers of the HOM. The Mission did not secure MEA's approval and paid Taka 10,92,500 (Rs. 9.10 lakh) for the period July 2001 to August 2004. Mission's request (July 2001) for ex-post facto sanction was yet to be approved by MEA.''

64. When the Committee desired to know as to whether any enquiry has been initiated by MEA against the officials of the Missions for making irregular/unauthorized payments for agency charges, rents etc. in blatant violation of its instructions/orders, the Ministry in a written note replied as under:—

"The irregularities committed by our Missions in Beirut (for payment of agency charges under delegated powers), Dhaka (for payment of excess rentals) and

ten missions (for retention of the vacant accommodation beyond delegated powers) were of procedural nature. In fact, the agency charges paid by the E/I, Beirut resulted in savings to GOI in rentals. Therefore, all these matters have been regularized. The irregularities committed by these Missions did not therefore warrant any enquiry or action against the officials. However, Missions have been cautioned to be careful in future".

(M) Retention of vacant accommodation (Paragraph 6.5.3)

65. Audit scrutiny of the cases has revealed that ten Missions incurred unauthorised expenditure of Rs. 1.24 crore on retention of vacant leased accommodation in contravention of the MEA's orders**.** MEA while agreeing to the need for compliance with instructions, attributed the vacant retention of accommodation to late arrival of the incoming officials. There are clear instructions of MEA that accommodation should not be kept vacant for more than 90 days. The details in this regard are given below:—

(Rs. in lakh)

Sl. No:	Mission	Period of retention of vacant accommodation	Lease rent paid
1.	Vlaan Baatar	(i) 2.9.1999 to 8.2.2000	2.91
	(Mangolia)	(ii) 18.2.2000 to 15.10.2000	7.05
		(iii) 16.10.2000 to 5.6.2003	6.87
2.	Beijing (China)	19.12.2002 to 18.8.2003	3.65
3.	Abu Dhabi (UAE)	(i) Sep 2003 to January 2004	1.75
		(ii) 6.4.2004 to 31.8.2005	1.97
4.	Kabul (Afghanistan)	5.8.2002 to 5.1.2003	3.52
5.	San Francisco (USA)	(i) 1.8.2000 to 13.2.01	33.41
		(ii) 15.11.2002 to 23.3.2003	16.62
6.	Luanda (Angola)	1.12.2000 to 6.3.2002	13.58
7.	Khartoum (Sudan)	16.12.2001 to 14.12.2002	23.73
8.	Antananarivo (Madagascar)	27.3. 2001 to 19.9.2001	1.42
9.	Munich (Germany)	14.12.2003 to 30.6.2004	7.27
10.	Kandy (Sri Lanka)	18.5.2001 to 7.9.2001	0.41
	Total		124.16

66. The Committee sought to know the reasons for keeping rented accommodation vacant. The MEA in a written reply stated as under:—

"With a view to providing greater stability and for keeping the rentals under check, the Ministry encourages signing of long term leases. It is not in the overall interest of the Government to terminate the lease agreements on each

occasion an officer is transferred out or replaced. Generally, such changeovers take place without any gap. However, in a few cases, the Missions experience a small gap between the departure of the incumbent officers and the arrival of their successors, more so in case of Heads of Mission, requiring greater coordination and lengthy approvals etc. The principal causes for such delays are the long chains of postings or administrative exigencies.

For addressing the above problem, the delegated financial powers allow the Missions/posts abroad to retain vacant accommodation for up to 90 days. Any retention beyond this period needs to be approved by the Ministry taking into account the overall situation and the GOI's interest. The Ministry tries its best to keep such gaps to the minimum. However, in some cases for reasons beyond the Ministry's control, it becomes difficult to keep the gap within the powers vested with the Missions. In such cases, the Missions normally write to the Ministry in advance for seeking approval. However, in a few cases, the Missions are genuinely not in a position to anticipate delays till the last minute, requiring *ex-post-facto* regularization. Most of the cases pointed out by the audit belong to this category and include our Missions/Post in Ulaanbaatar, Beijing, Abu Dhabi, Kabul, San Francisco, Luanda, Khartoum, Antananarivo, Munich and Kandy.

Objections pertaining to Kandy and Munich have already been settled and others are under submission for regularization".

67. Replying to a query about the measures taken to curb the tendency on the part of missions to routinely violate instructions/ orders issued by MEA, the Ministry informed the Committee that Missions/Posts are regularly cautioned and sensitised for not retaining the vacant accommodation beyond their delegated powers.

68. The Committee desired to know as to what more can be done in this direction apart from merely issuing instructions of routine and repetitive nature to improve financial discipline and administrative practices in the Missions, the Ministry replied that they propose to enforce strict financial discipline both through budgetary and administrative means. Strict action would be taken against those violating the rules.

(N) Properties/Projects in India (Paragraph 7)

69. MEA had commissioned construction projects for offices and residences for officers in Janpath, Pappankalan and Chanakyapuri in New Delhi. MEA had also taken up construction of buildings to house the Regional Passport Offices (RPO) at Bangalore, Lucknow, Jaipur and Bhubaneshwar. Passport Offices at eight places (Ahmedabad, Chandigarh, Cochin, Hyderabad, Kozhikode, Mumbai, Panaji and Patna) were functioning from Government owned buildings and 17 passport offices were functioning for rented buildings. The process of purchase of land for construction of buildings for RPOs at five places (Guwahati, Thiruvananthapuram, Tiruchirapalli, Jammu & Kashmir, Jallandhar) was stated to be in progress.

70. Audit review highlighted that the MEA did not complete pre-construction formalities even in the case of construction projects in India, which resulted in blocking

of funds of Rs. 6.28 crore, escalation in cost of construction of projects by Rs. 2.87 crore besides recurring rental liability.

Residential Projects

Pappankalan (Dwarka), New Delhi Residential Quarters Projects

71. Audit observed that MEA purchased a plot of land measuring 4.08 acre from DDA in March 1993 at a cost of Rs. 2.80 crore at Pappankalan, Dwarka for construction of a Housing Complex for MEA officers and staff. The complex was completed in April 2002 at a cost of Rs. 18.37 crore. The housing complex became functional only in April 2004. Out of total 230 flats, only 44 had since been occupied and 186 were still vacant (October 2004). Additionally, there were 16 servant quarters, which were also lying vacant. Investment of Rs. 21.17 crore (2.80+18.37) in the project was not fetching optimal returns. While the quarters remained vacant, the government continued to pay house rent allowance to the officials who were unwilling to reside in government accommodation.

72. On being asked by the Committee about the reasons for low rate of occupancy in Pappankalan (Dwarka) flats, the Ministry informed the Committee as under:—

> "The MEA residential complex in Dwarka (Pappankalan) was based on our then assessment of demand for residential accommodation. Assumption of availability of adequate facilities like water supply, transportation etc. upon completion of the project in the sub-city formed the basis for making a reasonable assessment then of flats required to be constructed in the residential complex.
>
> The flats in the complex are being filled in slowly but there are certain functional and practical requirements peculiar to the service needs of the officers in the Ministry which do not make Dwarka as an attractive proposition for seeking allotment. As many divisions of the MEA are the coordinating hub for many Missions/Posts in varying time zones, often the divisions are required to continue working till late in the evening and on weekends. Unsatisfactory public transportation facilities especially at night make it difficult for them to commute at odd hours.
>
> Further the problem of water supply in the complex with the restrictions imposed for exploiting ground water resources is a factor for slow rate of acceptance of flats in the complex. Poor preventive maintenance by the concerned department has resulted in inhabitable conditions in the flats.
>
> Moreover, officers prefer to admit their children in reputed schools that have linkages with the types of school systems found in Stations where officers are posted in Indian Missions/Posts abroad. As there are not many branches of such schools in Dwarka, the problem of children's education is also a detrimental factor resulting in low occupancy rate.
>
> As a result, officers are forced to try to stay in the transit hostel accommodation near South Block or make their own arrangements to live in the vicinity of South Block, Akbar Bhawan etc. The House Rent Allowance factor especially in

cases where both the husband and wife are Government employees also determines the type of accommodation preferred by the officers.

However, in order to encourage occupancy of flats in the MEA residential complex in Dwarka, the Ministry has made it mandatory to allot flats in the Dwarka Complex as the first option for all the officers applying for residential accommodation and eligible for flats from category Type-II to Type-V. As a result the occupancy has gone up substantially. Commissioning of the Dwarka fly over and Delhi Metro services are expected to improve the situation further.

As on 20th September, 2006,124 flats are occupied out of 230 flats representing an occupancy rate of 54%".

73. When asked about the steps taken by them to ensure proper monitoring so as to have speedy completion and execution of the projects, the Ministry in a written reply informed as under:—

"Each project in India is constantly monitored by the Projects division, headed by a Joint Secretary. In addition, the projects are reviewed every month at the levels of Additional Secretary/Foreign Secretary. Regular site meetings are held for monitoring the progress for projects in Delhi. Periodic visits to other projects are undertaken to review the progress and to find solutions to problems and bottlenecks as they arise".

74. As regards the residential flats lying vacant in Pappankalan (Delhi), the Ministry clarified as under:—

"Construction of the MEA residential complex in Dwarka (Pappankalan) with 230 residential units was completed in 2003. The numbers of residential units constructed were based on the then assessment of demand for residential accommodation for MEA employees.

The following are some of the reasons for under-utilization of this complex:

(a) There is lack of infrastructure in the area. As a result, the whole Dwarka sub-city remains considerably under-occupied. According to present estimates more than 50% residential units in the area are unoccupied;

(b) There is considerable problem of water supply in the entire sub-city including the residential units owned by MEA. We are in contact with the DDA for resolving this problem;

(c) Some employees find it cheaper to hire accommodation in Dwarka outside the MEA housing complex with the admissible HRA".

75. To a query regarding steps taken to raise the occupancy rate in Pappankalan residential complex, the Secretary, MEA, informed the Committee during evidence:—

"We have made it mandatory to allot flats in Dwarka as the first option for all entitled officers of categories Type - II to Type - V. We are talking to the Directorate of Estates to see whether we can raise the occupancy rates; whether they are interested in allotting some of these flats to some other persons".

(O) Monitoring and Internal Control

76. On being enquired about the system of inspections and internal Audit of properties in India and abroad prevailed in the MEA, the Secretary replied during evidence:—

> "We have changed the system of inspections in the Ministry since 1998 after the introduction of the indexation scheme since then inspections have become more irregular. So we have set up a separate Directorate of Inspection in February 2004. It is our endeavour to make sure that each Mission and Post should be inspected at least once in five years.
>
> As regards internal Audit, the monthly cash accounts of each Mission are sent to the Principal Chief Controllers of Accounts for internal Audit. The Office of our Principal Chief Controller of Accounts also sends its teams to some Missions every year to conduct internal Audit on the spot.
>
> For effective monitoring of the projects at the missions level, what we would like to do is where is we have a construction project, to locate technically qualified personnel for the entire period of project rather than following the normal three year cycle we do need to create some additional posts to continue because now that we do have a big construction programme from major construction to renovation projects. Throughout the implementation stage, we would like to create some additional posts and guarantee continuity of implementation and supervision".

PART II

Observations/Recommendations

77. In the course of discharging its functions, the Ministry of External Affairs (MEA) is, *inter-alia*, responsible for acquisition and maintenance of properties owned by the Government of India (GOI) in India and abroad. Out of 164 Indian Missions/ Posts abroad, there are GOI owned chancery buildings at 77 stations, residences for the Ambassadors/Heads of Missions (Embassy Residences or ER) at 83 stations, 159 flats for officers at different levels at 37 stations and 451 other residences at 30 stations. Other chanceries, residences of Ambassadors and other staff residences are located in rented buildings. The MEA also oversees the construction, maintenance and rentals of 19 properties housing its headquarters and subordinate offices within India.

[Sl. No. 1]

78. The Committee's examination of the subject has revealed that there were delays both in acquisition and construction of properties abroad as well as in India which resulted in expenditure on rentals continually increasing over the years. MEA did not utilize the capital outlay for public works and housing in full and funds remained under utilised under both the heads. MEA could not commence construction on 14 plots of land abroad and six in India for years together owing to delay in finalization of pre-construction requirements. MEA also could not re-develop/re-construct properties at three stations abroad. In a few places, Government owned properties were also lying vacant awaiting disposal. Properties were purchased but their titles have not been got transferred to the Government of India even after a lapse of more than 10 years. Further, out of 230 flats constructed in India after investing Rs. 21.17 crore for housing the officers and the staff of MEA, over 100 flats are still lying vacant. The Committee have dealt with these deficiencies in detail in the succeeding paragraphs.

[Sl. No. 2]

79. The Committee note that while substantial expenditure had been incurred on rentals, funds to the extent of 53.9% to 75.7% remained un-utilised under capital outlay on Housing-Government Residential Buildings in the year 1999-2000, 2001-2002, 2003-2004 and 2004-2005. Similarly, percentage of non-utilization of funds under capital outlay on public works, construction was also as high as 54.5 to 82.5 during the period 2001-2002 to 2004-2005. One of the main reasons for such high under-utilisation of capital budget over the period 2000-2001 to 2004-2005, as attributed by the Ministry of External Affairs, has been that a number of property acquisitions envisaged during this period did not materialize. Obviously, this is indicative of poor budgeting, planning and also inadequate scrutiny of estimates at various levels. The

continuous increase in unspent funds under the capital head year after year clearly indicates that the Ministry has been hiring more and more luxurious properties abroad entailing large rentals instead of investing in construction/acquisition of new properties as budgeted. The Committee, while disapproving of such an alarming trend, recommend that the MEA should take their project and planning mechanism more seriously and make the projections meaningful and purposeful. The estimation should be made carefully after taking into account all the contingent factors. The Committee trust that with a streamlined budget estimation process, MEA will be in a position to fully utilize the grants under the capital head and also monitor closely the acquisition of property.

[Sl. No. 3]

80. The Committee note with concern that even though the Committee in their earlier reports had recommended as back as in 1988 that the MEA should take steps to minimize the expenditure on rentals, the delays in construction of owned buildings on the part of MEA/Missions/Posts resulted in rental expenditure increasing substantially over the years i.e. from Rs. 163.85 crore in 1999-2000 to Rs. 215.37 crore in 2004-2005. The reasons for the increase in rental liability of the Missions have been stated to be the depreciation of Indian Rupee *vis-à-vis* US Dollar, opening of new Missions/Posts in eight places since 2002 and surge in rentals particularly in the Gulf, East Europe and Central Asia. The Ministry have further informed the Committee that with a view to reducing rental liabilities, they have prepared a five year comprehensive action plan to acquire built up properties and construct own buildings for residences/offices at high rental and other stations. While deploring the delay and laxity on the part of the MEA to take corrective steps, the Committee hope the action plan formulated by the MEA now will result in making the property management process more organized and systematic with significant reduction in the rental outgo.

[Sl. No. 4]

81. The Committee are constrained to observe that though the Vienna Convention made reciprocity the cornerstone of diplomatic relations between countries, MEA failed to acquire plots of land from the Governments of Ethiopia and Algeria on reciprocal basis even after a lapse of 46 years and 20 years respectively. This resulted in the Mission continuing to incur annual expenditure of Rs. 60.52 lakh on rentals for its Chancery, Embassy Residence (ER) and other residences at Addis Ababa (Ethiopia) and Rs. 1.23 crore in Algiers (Algeria). The Committee have been informed that pursuant to the directive dated 9th July, 1998 from PMO, the practice of allotting land to foreign missions in India on a nominal rent on long lease was discontinued, except where firm commitments had been made before the directive for gift/exchange/sale of land. The allotment of land to the Government of India is still being pursued with countries whose Mission had been allotted land in India based on a nominal rent on the basis of reciprocity. The Ministry have stated that Ethiopia and the Russian Federation are two countries where land has not yet been allotted on reciprocal basis and the plot earlier earmarked for the Algerian Mission in New Delhi has now been allotted to another Mission, since Algeria has not been able to reciprocate. What is surprising is the fact that the Ministry pursued the

matter with these countries only after the Committee took up the matter. The Committee cannot but deprecate the casualness and the lackadaisical approach displayed by MEA and would like to know the current status of acquisition of plots of land from the Governments of Ethiopia and Russian Federation on reciprocal basis. They would also like to be apprised about the countries to which firm commitments for allotment of land on a nominal rent on long lease had been made before issue of the directive dated 9th July 1998 and the status of land allotment in these countries on similar reciprocal basis. Needless to emphasize that MEA would take immediate steps to identify the stations where land had not been allotted to Indian Missions on reciprocal basis and take effective measures at the highest level to acquire the land. Alternatively, they should actively consider charging commercial rates in respect of the land allotted to those countries in India.

[Sl. No. 5]

82. The Committee are dismayed that the Ministry was not able to commence construction at 14 stations abroad for years together owing to delays in acquisition of land, appointment of consultants, finalisation of designs, cost estimates, obtaining approval of local authorities etc. Such delays led to continuous recurring expenditure of Rs. 11.80 crore per annum on rentals and idling of capital of Rs. 13.81 crore on properties lying unutilized. Besides, such delays also entailed increase in the cost of construction with time. The reasons stated by the Ministry for the languid pace of pre-construction activities were plots being taken back by the local Government, political instability, unforeseen circumstances like the Gulf War and the foreign exchange crisis of early 1990s. Further, they have added that funds available for construction abroad were meagre. The Committee cannot accept such a vague justification and do not find it tenable especially when there were persistent savings under capital head indicating that availability of funds has not been a constraint.

With regard to the monitoring of the execution and timely completion of these projects, the Committee note that after the matter was taken up by the Committee the MEA has now belatedly energised themselves and all the 14 projects are now stated to be constantly monitored by their Project Division. The Committee would like to be apprised about the progress of work in all these projects. In this regard, the Committee would like to stress the need for expediting all the pre-construction activities such as finalisation of design brief, appointment of consultants etc., and ensure execution of these projects within the targeted time-frame through a specific monitoring plan for each project.

[Sl. No. 6]

83. Another disquieting instance observed by the Committee is that the MEA did not finalise consultants, scope of work, design briefs, preliminary drawings and estimates for re-development/re-construction of properties at Singapore, Tokyo and Geneva resulting in expenditure of Rs. 2.38 crore per annum on rentals and blocking of capital of Rs. 6.19 crore and increase in cost of re-development and re-construction. In the view of the Committee, such instances of indecision and laxity only point

towards inherent bottlenecks in the decision making process of the MEA. Although Ministry have now informed that the construction in respect of Singapore project would be completed by April 2008 and the Tokyo re-development project has already been approved by the cabinet and was scheduled to be completed by May, 2007, the Committee are constrained to conclude that the decision-making process at the MEA as far as management of properties is concerned has been very tardy. The Committee, therefore, recommend that the MEA should put in place appropriate systems under the Project Division so that such avoidable delays do not recur and the Missions are also galvanised to make every possible effort to minimise the rental outgo on leased accommodation.

[Sl. No. 7]

84. The Committee observe that four Government owned properties at Bangkok, Damascus, Dar-es-Salaam and Bonn were awaiting disposal which resulted in idling of capital of Rs. 1.30 crore, besides reduction in sale value. From the replies furnished by the Ministry, the Committee find that they have failed to sign the consultancy agreement despite lapse of more than a year in Bangkok. In respect of disposal of properties at Damascus, the MEA was still undecided about the course of action in respect of old chancery building. As regards the Mission at Dar-es-Salaam, the non-availability of the original sale agreement and lease deed with the Mission/Ministry has kept matters pending. These cases are ample proof of the poor state of affairs in the Ministry in regard to property Management, particularly the disposal of Government of India owned properties. While taking a serious note of the inaction on the part of the Ministry in all these cases for an unduly long period, the Committee recommend that the MEA should now list out all the properties lying vacant for long periods and prioritise the same for prompt disposal. Besides they should formulate an action plan for timely disposal of properties in order to avoid further deterioration in their condition and possible reduction in value.

[Sl. No. 8]

85. The Committee find that the Embassy of India, Kyiv acquired a dilapidated built up property in September, 1995 at a cost of Rs. 2.53 crore without title of land. As a result, renovation or reconstruction of the property was not possible and the entire investment of Rs. 2.53 crore was infructuous. As the proposed construction of residential flats did not take off, the Mission was incurring Rs. 1.14 crore per annum towards rent of the residential apartments for its India based staff. The Committee have been informed that the property was purchased on the basis of the report by "Ministry of Housing and Municipal Services of Ukraine Kyiv Project Reconstruction Institute" which stated that "the building is in satisfactory technical state". This clearly indicates that the Ministry has purchased the property without conducting inspection on its own and by relying only on the Report of an external agency. This does not constitute good property management practice. The Committee are dismayed that the Ministry has not elaborated the reasons for not carrying out the mandatory comprehensive assessment of the structure or for not preparing any detailed estimates of the cost of renovation before acquiring the property in September, 1995. The Committee, therefore, would like the Ministry to conduct an

inquiry into the matter to find out as to how far the officials entrusted with this job failed to discharge their responsibilities. The Committee should be apprised of the outcome of the enquiry.

[Sl. No. 9]

86. The Committee note that MEA purchased the embassy residence in Harare in March 1987 at Rs 43.69 lakh with a plot area of 17.8604 acre without formal approval of the local Government and without ensuring transfer of the title to the property to its name after a lapse of 18 years, resulting in excess land lying unutilized, putting the investment itself at stake. The Committee have been informed that on observing that the area of the plot was more than the requirement they have decided to retain only 7.8 acres and dispose of balance 10 acres on commercial terms. They have been further informed that MEA offered a plot of land to Zimbabwe in Chanakyapuri in February 2006 on the principle of reciprocity and it has been conveyed to the Government of Zimbabwe that the title of the entire plot of land in Harare should be registered in the name of Government of India, but their response is still awaited. However, the Ministry has not mentioned its views on the main objection of the Government of Zimbabwe that the area of property in question was much higher than what could be acquired by the diplomatic mission. The Committee would like to be apprised about the latest status of the case and as to whether the title of the entire plot of land has since been transferred to the Government of India. MEA should make vigorous efforts to resolve the dispute with the Government of Zimbabwe at an early date.

[Sl. No. 10]

87. The Committee find that though the responsibility of normal maintenance and repairs of the buildings rested with the lessor, the Missions at Islamabad (Pakistan) Nairobi (Kenya) and Maputo (Mozambique) were not able to enforce the same resulting in avoidable expenditure of Rs. 66.09 lakh in violation of the provisions. It is surprising that even the expenditure incurred on carrying out normal maintenance work in these cases was not recovered from the lessor. The various factors stated by the Ministry responsible for this are security, urgency, the lessor not attending to the request for carrying out urgent repair and maintenance work etc. The Committee are not inclined to accept the explanation given by the Ministry as the lease deeds made by the Missions by natural agreement with lessor clearly stipulate that the lessor is liable for normal maintenance and repairs of the building. The Committee would therefore like the MEA to strictly enforce the lease agreements and in the event of the Missions having to carry out repair and maintenance work, the expenditure incurred should be deducted from the rent payable. The Ministry should also consider including a specific provision for this in the format of the lease deeds and put in place an effective enforcement mechanism.

[Sl. No. 11]

88. The Committee find that in four Missions-Ulaan Baatar (Mangolia), Wellington (New Zealand), Kuwait and Dar-es-Salaam (Tanzania) the expenditure of Rs. 95.50 lakh was incurred in excess of the prescribed rental ceiling without the approval of

MEA. The Committee have been informed that detailed data justifying the rental increases have been received from the concerned Missions. In case of Dar-es-Salaam the rental increases have been regularized. In the case of Ullan Baatar, the case is under investigation with the vigilance cell, while in the case of Kuwait, the Ministry have not accepted the Audit's contention. According to Audit, Ministry's reply regarding Embassy of Kuwait is in contravention of the facts furnished by the Mission at Kuwait in July 2004 wherein it had been intimated that they were taking up the matter with the MEA for obtaining necessary sanctions. The Committee would like to be apprised of the factual position in this matter. The Committee would also await the latest position on the expenditure incurred in excess of delegated powers by Missions at Ulaan Baatar and Wellington. Since a substantial amount of expenditure was incurred in excess of the ceiling in these Missions, the Committee, recommend that MEA should exercise more effective supervision over the Missions/Posts abroad to ensure that irregular expenditure on rented accommodation in excess of prescribed rental ceilings did not become a regular feature.

[Sl. No. 12]

89. The Committee find that ten Missions incurred unauthorised expenditure of Rs. 1.24 crore on retention of vacant quarters in contravention of MEA's order *vide* which vacant leased residential accommodation cannot be retained for more than 90 days without its prior approval. The Ministry in their reply have not specified the reasons for retention of vacant leased accommodation by the Missions. While informing about the measures taken to curb the tendency on the part of Missions to routinely violate instructions/orders issued by MEA, the Ministry have merely stated that Missions/Posts are regularly cautioned and sensitized for not retaining the vacant accommodation beyond their delegated powers. The Committee find to their dismay that retention of vacant leased accommodation beyond the stipulated period illustrates a glaring instance wherein the orders and instruction of the Ministry have been taken very casually by the Missions abroad. The Committee, while taking a serious view of such an alarming trend of financial and administrative indiscipline recommend that the MEA should conduct a thorough enquiry into instances of such delinquency by the Missions, particularly the role of the Heads of Missions and apprise the Committee about the findings and the follow-up action taken thereon.

[Sl. No. 13]

90. In yet another instance of faulty planning, delay and wasteful expenditure by the MEA, the Committee observe that non-completion of pre-construction formalities in the case of construction projects in India resulted in blocking of huge funds to the tune of Rs. 6.28 crore, escalation in cost of construction of projects by another Rs. 2.87 crore besides recurring rental liability. In Pappankalan (Dwarka) residential quarters projects in Delhi, out of 230 flats constructed after investing Rs. 21.17 crore, 180 flats were lying vacant. The Ministry have stated that the residential complex in Dwarka was based on their assessment of the demand for residential accommodation. Specifying the reasons for under-utilisation of the residential quarters, the Ministry have attributed it to lack of infrastructure, problem of water supply and availability of cheaper accommodation in Dwarka outside the MEA housing complex. The MEA's

explanation on this issue can only point towards the absolute lack of planning on the part of the Ministry in not making suitable arrangements in advance for basic amenities like water supply and transportation, which could have greatly expedited allotment of the quarters and made it possible for them to profitably utilise their assets. Now the Ministry have stated to have made it mandatory to allot flats in Dwarka Complex as the first option for all the officers applying for residential accommodation under category Type-II to Type –V. As a result, the occupancy is stated to have gone up substantially and as on 20th September 2006, 124 flats have been occupied out of 230 flats. As the rate of occupancy is still not adequate, the Committee would like the Ministry to chalk out a time bound action plan to ensure optimum utilization of the residential complex including asking Directorate of Estate to allot the vacant flats to Government employees of other Departments/ Ministries.

[Sl. No. 14]

91. The Committee note that though the MEA had changed the system of inspections since 1998 and had set up a separate Directorate of Inspection in February 2004, no visible results seem to have yielded in purchase/ construction and maintenance of Government properties in India and abroad, as there were comprehensive delays in acquisition of land, appointment of consultants, award of construction work and its execution and processing of proposals for disposal of properties, as a result of which, substantial expenditure continued to be incurred on rentals. MEA also could not prevent unauthroised expenditure from being incurred by the Missions/Posts on leased and Government owned properties and hiring of properties exceeding rental ceilings. Several instances have also been highlighted wherein the instructions of the MEA have been flouted by the Missions. Such flagrant violations of norms and acts of omission by the Missions makes a mockery of the inspection set-up of the MEA. The Committee therefore, recommend that the Ministry must review the situation and completely revamp their inspection machinery so that the working of Indian Missions/Posts abroad in regard to property management are supervised in a more earnest and systematic manner.

[Sl. No. 15]

92. As regards the action plan for better property management, the Committee have been informed that during the course of examination of the subject, the Ministry have initiated a number of corrective measures such as establishment of a Project Division and preparation of two separate five year action plans for acquisition of built-up properties. The focus of these plans is stated to be on high rental stations and construction on the plots of land lying vacant. Besides, the Government have also developed a computerized asset register and copies of title deeds of all the Government-owned properties are being compiled. It is quite evident that the Ministry have become alive to the problems rather late and only when the facts were brought to light by Audit Review and the issues taken up by the PAC for detailed scrutiny. It is surprising that MEA decided to set up a project Division as late as in February 2005.

Also, the Ministry's contention that the long term action plans have started yielding results does not hold good as the replies furnished by the Ministry reveal that no significant progress has been recorded so far in various projects even after establishment of the Project Division in February, 2005. This underscores, the necessity for a comprehensive review and for identification of bottlenecks in the present system of Property Management and for exercising more effective monitoring and control.

[Sl. No. 16]

93. The foregoing Paragraphs reveal several irregularities/shortcomings in the maintenance of properties by the MEA in India and abroad which *inter-alia* include inability to acquire land on reciprocal basis, delays in construction on acquired land, non-utilisation of properties abroad for many years for want of re-construction/re-development, properties awaiting disposal, acquisition of dilapidated property without a title to land, title to property purchased not transferred by foreign Government, rental paid in excess of ceilings etc. There were occasions when the Missions had retained vacant accommodation in violation of the Rules. There were also clear instances where the Heads of the Missions had exceeded their delegated powers and made irregular/unauthorized payments. The Ministry further failed to fully utilize the newly constructed residential quarters in Dwarka, New Delhi. The Committee while deploring such an unsatisfactory state of affairs in the MEA with regard to management of Government properties, desire that the facts brought out in this Report should be thoroughly looked into and urgent steps taken to manage properties in a prudent manner. In this regard, the MEA should streamline and revitalize their Project Division while exercising effective control over Missions so that they avoid incurring unauthorized and imprudent expenditure on rentals, repairs, maintenance etc. The Committee would await the MEA's reply on the follow-up measures taken and the results achieved therefrom.

[Sl. No. 17]

NEW DELHI;
24 July, 2007
02 Sravana, 1929 *(Saka)*

PROF. VIJAY KUMAR MALHOTRA,
Chairman,
Public Accounts Committee.

ANNEXURE-I

MINUTES OF THE SEVENTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2006-2007) HELD ON 8TH JANUARY, 2007

The Committee sat from 1600 hrs. to 1715 hrs. on 8th January, 2007 in Committee Room No. "D", Parliament House Annexe, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Khagen Das
3. Shri R.L. Jalappa
4. Shri Raghunath Jha
5. Shri Bhartruhari Mahtab
6. Shri Brajesh Pathak
7. Dr. M. Ramadass
8. Shri Magunta Sreenivasulu Reddy
9. Shri Rajiv Ranjan 'Lalan' Singh
10. Shri Kharabela Swain

Rajya Sabha

11. Shri V. Narayanasamy
12. Shri Janardhana Poojary
13. Shri Suresh Bhardwaj
14. Shri Prasanta Chatterjee

SECRETARIAT

1. Shri A. Mukhopadhyay — *Joint Secretary*
2. Shri Ashok Sarin — *Director*
3. Shri Ramkumar Suryanarayanan — *Assistant Director*

Office of the Comptroller and Auditor General of India

1. Shri V.N. Kaul — Comptroller and Auditor General
2. Shri B.K. Chattopadhyay — ADAI (Report Central)
3. Dr. A.K. Banerjee — Director General of Audit (CR)
4. Shri A.N. Chatterji — Director General (Performance Audit)

Representatives of the Ministry of External Affairs

1.	Shri Shivshankar Menon	—	Foreign Secretary
2.	Shri Sharat Sabharwal	—	AS (AD)
3.	Ms. Sheela Bhide	—	AS (FA)
4.	Shri R. Swaminathan	—	JS (Projects)
5.	Shri Gauri Shankar Gupta	—	JS (Establishment)

2. At the outset, the Chairman, Public Accounts Committee welcomed the Members of the Committee and Audit Officers. The Officers from the Office of C&AG of India briefed the Committee on the specific points arising out of Audit Report No. 17 of 2005 (Civil) regarding "Property Management by Ministry of External Affairs".

3. Thereafter, the representatives of the Ministry of External Affairs were called in. The Foreign Secretary gave a brief account on the issues relating to property management in the Ministry and also explained the factual position with regard to the Audit findings. The Members of the Committee then sought clarifications on various points arising out of Audit Report and Advance Information furnished by the Ministry of External Affairs. A discussion on the subject was not concluded and the Committee decided to meet again on 9th January, 2007 to hear the Ministry's response to the point raised by the Members.

4. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

MINUTES OF THE EIGHTEENTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2006-2007) HELD ON 9TH JANUARY, 2007

The Committee sat from 1100 hrs. to 1215 hrs. on 9th January, 2007 in Committee Room No. "C", Parliament House Annexe, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2 Shri Khagen Das
3. Shri Raghunath Jha
4. Shri Bhartruhari Mahtab
5. Shri Brajesh Pathak
6. Dr. M. Ramadass
7. Shri Madan Lal Sharma
8. Shri K.V. Thangkabalu
9. Shri Tarit Baran Topdar

Rajya Sabha

10. Shri R.K. Dhawan
11. Shri Janardhana Poojary
12. Shri Suresh Bhardwaj
13. Shri Prasanta Chatterjee
14. Shri Ravula Chandra Sekar Reddy

SECRETARIAT

1. Shri A. Mukhopadhyay — *Joint Secretary*
2. Shri Ashok Sarin — *Director*
3. Shri Ramkumar Suryanarayanan — *Assistant Director*

Office of the Comptroller and Auditor General of India

1. Shri V.N. Kaul — Comptroller and Auditor General
2. Shri B.K. Chattopadhyay — ADAI (Report Central)
3. Dr. A.K. Banerjee — Director General of Audit (CR)
4. Shri A.N. Chatterji — Director General (Performance Audit)

Representatives of the Ministry of External Affairs

1.	Shri Shivshankar Menon	—	Foreign Secretary
2.	Shri Sharat Sabharwal	—	AS (AD)
3.	Ms. Sheela Bhide	—	AS (FA)
4.	Shri R. Swaminathan	—	JS (Projects)
5.	Shri Gauri Shankar Gupta	—	JS (Establishment)

2. The Chairman, Public Accounts Committee welcomed the members of the Committee, Audit Officers and representatives of the Ministry of External Affairs. As the sitting of the Committee held on 8 January, 2007 for taking oral evidence of the representatives of the Ministry of External Affairs remained inconclusive, the Committee resumed further discussion on the points arising out of Audit Report No. 17 of 2005 (Civil) regarding "Property Management by the Ministry of External Affairs". The Foreign Secretary replied to the specific points raised by the Members on the subject.

3. Thereafter, the Chairman asked the representatives of the Ministry of External Affairs to furnish replies on the points raised by the Members of the Committee for which information was not readily available with them.

4. A copy of the verbatim proceedings of the sitting has been kept on record.

The Committee then adjourned.

ANNEXURE-II

MINUTES OF THE SIXTH SITTING OF THE PUBLIC ACCOUNTS COMMITTEE (2007-2008) HELD ON 18TH JULY, 2007

The Committee sat from 1100 hrs. to 1130 hrs. on 18th July, 2007 in Room No. 51, (Chairman's Chamber) Parliament House, New Delhi.

PRESENT

Prof. Vijay Kumar Malhotra — *Chairman*

MEMBERS

Lok Sabha

2. Shri Kirip Chaliha
3. Shri Khagen Das
4. Shri P.S. Gadhavi
5. Shri R.L. Jalappa
6. Shri Raghunath Jha
7. Shri Bhartruhari Mahtab
8. Dr. Rajesh Mishra
9. Shri K.S. Rao
10. Shri Mohan Singh
11. Shri Tarit Baran Topdar

Rajya Sabha

12. Shri Janardhana Poojary
13. Shri Suresh Bhardwaj
14. Shri Prasanta Chatterjee
15. Dr. K. Malaisamy
16. Shri Ravula Chandra Sekar Reddy

SECRETARIAT

1.	Shri A. Mukhopadhyay	—	*Joint Secretary*
2.	Shri Brahm Dutt	—	*Director*
3.	Shri M.K. Madhusudhan	—	*Deputry Secretary-II*
4.	Shri Ramkumar Suryanarayanan	—	*Under Secretary*
5.	Shri N.K. Jha	—	Under Secretary

Office of the Comptroller and Auditor General of India

1. Shri Nand Kishore — Pr. Director (AB)
2. Shri Jayanti Prasad — Pr. Director (INDT)

2. A the outset, the Chairman, welcomed the Members of the Committee to the setting. Thereafter, the Committee took up for consideration and adoption of the following draft Reports:

(i) Draft Report relating to "Functioning of Employees' State Insurance Corporation (ESIC)";

(ii) Draft Report relating to **"Avoidable expenditure due to delay in taking decision—Chennai Port Trust";**

(iii) Draft Report relating to "Delay in finalization of demands";

(iv) Draft Report relating to "Property Management by Ministry of External Affairs";

(v) Draft report on Action Taken on 9th Report of PAC (14th Lok Sabha) on "National Scheme for Liberation and Rehabilitation of Scavengers"; and

(vi) Draft Report on Action Taken on 27th Report of PAC (14th Lok Sabha) on "Non-disposal of uncleared/unclaimed Imported cargo in ICDs/CFSs".

After some deliberations, the Committee adopted these Draft Reports without any amendments/modifications and authorized the Chairman to finalise and present the same to Parliament in the light of factual verification done by Audit.

3. The Committee then desired that Audit may be asked to revive the practice (upto 12th Lok Sabha) of furnishing to the Committee a compilation titled "Epitome of the Reports of the Central Public Accounts Committee" containing action taken by the Ministries on the recommendations made by PAC in their Reports alongwith the status of their implementation.

4. Further, it was decided that the Committee would convene their next sitting on 30th and 31st July, 2007.

The Committee then adjourned.

APPENDIX

Performance audit of

Property Management by Ministry of External Affairs

Report of the
Comptroller and Auditor General
of India
for the year ended March 2004

Union Government (Civil)
No. 17 of 2005

CONTENTS

	Paragraph	Page
Preface		51
Overview		52
Highlights		53
Summary of recommendations		54
Introduction	1	55
Scope of audit	2	55
Audit objectives and methodology	2.1	55
Audit criteria	2.2	55
Organisational set up	3	55
Financial outlay	4	56
Properties/Projects abroad	5	57
Inability to acquire land on reciprocal basis	5.4	58
Addis Ababa (Ethiopia)	5.4.1	58
Algiers (Algeria)	5.4.2	58
Delays in construction on acquired land	5.5	59
Abuja (Nigeria)	5.5.1	59
Port Louis (Mauritius)	5.5.2	60
Brasilia (Brazil)	5.5.3	60
Warsaw (Poland)	5.5.4	60
Paramaribo (Suriname)	5.5.5	60
Islamabad (Pakistan)	5.5.6	61
Kathmandu (Nepal)	5.5.7	61
Dar-es-Salaam (Tanzania)	5.5.8	61
Dhaka (Bangladesh)	5.5.9	62
Doha (Qatar)	5.5.10	62
Muscat (Oman)	5.5.11	62
Port of Spain (Trinidad and Tobago)	5.5.12	63
Nicosia (Cyprus)	5.5.13	63
Abu Dhabi (UAE)	5.5.14	63

	Paragraph	Page
Property lying vacant for want of re-construction/ re-development	5.6	64
Disposal of GOI owned properties	5.7	66
Miscellaneous irregularities	6	69
Acquisition of dilapidated property without a title to land	6.1	69
Kyiv (Ukraine)	6.1.1	69
Title to property purchased not transferred by foreign government	6.2	70
Harare (Zimbabwe)	6.2.1	70
Irregularities in maintenance of properties abroad	6.3	70
Irregularities in hiring of accommodations abroad	6.4	71
Rentals paid in excess of ceilings	6.4.1	71
Irregular/Unauthorised payments	6.5	72
Beirut (Lebanon)	6.5.1	72
Dhaka (Bangladesh)	6.5.2	73
Retention of vacant accommodation	6.5.3	73
Properties/Projects in India	7	74
Residential Projects	7.2	75
Pappankalan New Delhi residential quarters project	7.2.1	75
Chanakyapuri officers' residential project	7.2.2	75
Videsh Bhawan Project, New Delhi (now re-named as Jawaharlal Nehru Bhawan)	7.3	75
Regional Passport Offices (RPO)	7.4	76
Bangalore	7.4.1	76
Lucknow	7.4.2	77
Jaipur	7.4.3	77
Bhubaneshwar	7.4.4	77
Conclusion	8	78
Glossary of abbreviations		79

PREFACE

This report of the Comptroller and Audit General of India containing performance audit of **Property Management by Ministry of External Affairs** has been prepared for submission to the President of India under Article 151 of the Constitution.

The performance audit was conducted through test check of records of the Ministry of External Affairs, New Delhi and some of the Missions/Posts abroad during April to October 2004.

OVERVIEW

In the course of discharging its functions, the Ministry of External Affairs (MEA) is, *inter-alia* responsible for acquisition and maintenance of properties owned by the Government of India (GOI) in India and abroad. Of the 164 Missions/Posts abroad, Government owned chancery buildings were at 77 places, residence for Ambassadors/ Head of Missions at 83 stations, 159 flats for officers at different levels at 37 stations and 451 other residence at 30 stations. Other chanceries, embassy residences (ER) and residences for officers and staff were located in rented buildings. In addition, MEA also oversaw the construction, maintenance and hiring of properties housing its headquarters and subordinate offices within India.

The entire system of management of properties by MEA was characterized by delays both in acquisition and construction of properties abroad as well as in India. Although the Public Accounts Committee and the Standing Committee of Parliament on MEA had recommended that MEA should take steps to minimize the expenditure on rentals, the delays on the part of MEA/Missions/Posts resulted in such expenditure actually increasing over the years. MEA did not utilize the capital outlay for public works and housing in full and reported substantial savings under both the heads.

MEA failed to acquire land at two stations abroad on reciprocal basis. In could not commence construction on 14 plots of land abroad and six in India for years together owing to delay in finalization of pre-construction requirements. MEA also could not redevelop/reconstruct properties at three stations abroad. Four Government owned properties were also lying vacant awaiting disposal. Two properties were purchased but their titles have not been got transferred to the Government of India even after a lapse of more than 10 years. Out of 230 flats constructed in India after investing Rs. 21.17 crore for housing the officers and the staff of MEA, 180 were lying vacant.

Property Management by Ministry of External Affairs

Highlights

MEA could not commence construction at 14 stations abroad due to delay in acquisition of land, appointment of consultant, finalisation of design brief, preparation of preliminary drawings, cost estimates, according approval thereto and delay in obtaining approval of local authorities resulting in recurring expenditure of Rs. 11.80 crore per annum on rentals, blocking of capital of Rs. 13.81 crore and increase in cost of construction.

(Paragraph 5.5)

MEA did not finalise consultants, scope of work, design briefs, preliminary drawings and estimates for re-development/re-construction of properties at Singapore, Tokyo and Geneva resulting in expenditure of Rs. 2.38 crore per annum on rentals and blocking of capital of Rs. 6.19 crore and increase in cost of re-development/re-construction.

(Paragraph 5.6)

MEA's inability to secure plots of land from the Governments of Ethiopia and Algeria on reciprocal basis resulted in recurring annual expenditure of Rs. 1.84 crore on rentals.

(Paragraph 5.4)

MEA's indecision to dispose the properties lying vacant at Bangkok, Damascus, Dar-es-Salaam, and Bonn led to idling of capital of Rs. 1.30 crore, which is turn, contributed to reduction in sale value.

(Paragraph 5.7)

The Embassy of India, Kyiv acquired a dilapidated built up property in September 1995 at a cost of Rs. 2.53 crore without title to land. As a result, renovation or re-construction of the property was not possible and the entire investment of Rs. 2.53 crore was infructuous. As the proposed construction of residential flats did not take off, the Mission was incurring Rs. 1.14 crore per annum towards rent of the residential apartments for its India based staff.

(Paragraph 6.1.1)

MEA purchased the embassy residence in Harare in March 1987 at Rs. 43.69 lakh with a plot area of 17.8604 acre without the formal approval of the local Government and without ensuring transfer of the title to the property to its name after a lapse of 18 years resulting in excess land lying unutilised, putting the investment itself at stake.

(Paragraph 6.2.1)

MEA did not complete pre-construction formalities even in the case of construction projects in India, which resulted in blocking of funds of Rs. 6.28 crore, escalation in cost of construction of projects by Rs. 2.87 crore besides recurring rental liability. In Pappankalan residential quarters project in Delhi, out of 230 flats constructed after investing Rs. 21.17 crore, 180 were lying vacant.

(Paragraph 7)

Summary of recommendations

- **MEA needs to take immediate steps to acquire land on reciprocal basis to avoid recurring expenditure on rent, especially in the case of countries to whom land had already been allotted in India.**
- **MEA should finalise pre-construction formalities by prescribing and maintaining a specific timeframe in order to avoid time and cost overruns besides recurring expenditure on rentals.**
- **MEA needs to speed up the re-construction or re-development of the properties lying vacant to minimise the outgo of rent on leased accommodations.**
- **MEA needs to take urgent steps to dispose the vacant properties to avoid further deterioration and reduction in value.**
- **MEA should get the structural soundness evaluated through a reputed firm and legality of the title to land/property examined with reference to local laws in force before concurring to such proposals.**
- **MEA should attempt to resolve the dispute with the Government of Zimbabwe expeditiously in order to get the title of the land transferred in the name of Government of India/Mission.**
- **In the event of the Mission having to carry out repair and maintenance work, the expenditure incurred should be recovered from the rent payable. MEA may consider including a specific provisions for this in the format of the lease deeds and put in place an effective enforcement mechanism.**
- **MEA needs to exercise more effective control over the Missions/Posts abroad to ensure that irregular expenditure on rented accommodation in excess of prescribed rental ceilings and vacant retention did not become a regular feature.**

1. Introduction

1.1 The Ministry of External Affairs (MEA) is responsible for acquisition and maintenance of properties abroad. In 164 Indian Missions/Posts abroad, Government of India (GOI) owned Chancery buildings at 77 stations, residences for the Ambassadors/Heads of Missions (Embassy Residences or ER) at 83 stations, 159 flats for officers at different levels at 37 stations and 451 other residences at 30 stations. Other chanceries, residences of Ambassadors and other staff residences are located in rented buildings. The MEA also oversees the construction, maintenance and rentals of 19 properties housing its headquarters and subordinate offices within India.

1.2 The Public Accounts Committee in their 108th Report (1987-88)-Eighth Lok Sabha, asked MEA to prepare a pragmatic plan, for reducing the periodically increasing rental outgo on their leased properties to the barest minimum. The Standing Committee of Parliament on MEA emphasised (June 1998) the need for gradual replacement of rental expenditure on properties with sound investment in suitable properties. In April 2003, the same Committee in their eleventh Report (13th Lok Sabha) expressed serious concerns over rising rental expenditure and the delay in construction on a plot in Brazil. The Standing Committee expressed their unhappiness over the failure of MEA to comply with earlier directives resulting in losses to the exchequer and recommended that MEA should devise a well defined long term policy with continuous planning, monitoring, evalutation and control for efficent long term cost management of properties abroad.

2. Scope of audit

2.1 Audit objectives and methodology

2.1.1. Audit examined MEA's performance in acquisition of land, construction projects, renovation of built up properties, unkeep of properties as also their disposal with a view to assessing the efficiency, economy and effectiveness of property management. For this purpose, audit test checked related records maintained both in MEA and 46 Missions and Posts abroad for the period 1999-2000 to 2003-04.

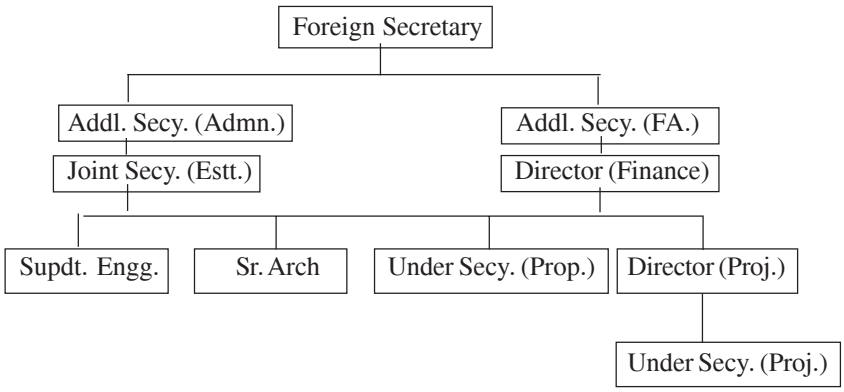
2.2 Audit criteria

2.2.1 Audit examined the purchase, construction, hiring and repair and maintenance of properties by MEA with reference to the provisions of the General Financial Rules (GFR), IFS (PLCA) Rules and other relevant orders issued by the Ministries of Finance and Urban Development of the Government of India.

3. Organisational set up

3.1 The Establishment Division of MEA headed by the Joint Secretary (Establishment) administers the expenditure relating to the capital outlay on purchase of properties, construction and renovation projects including renting and maintenance of properties in India and abroad. JS (Estt.) is assisted by a Director and two Under Secretaries. Two officers on deputation from CPWD, of the rank of Superintending Engineer and Senior Architect, provide assistance in technical matters. Diagram below depicts the arrangement.

Organogram of Ministry of External Affairs



4. Financial outlay

4.1 The year-wise budget estimates and actual expenditure incurred by MEA under Capital Outlay-Housing and Public Works for the period 1999-2000 to 2004-05 are given in Tables 1 and 2 below, respectively:—

Table 1: Capital outlay on Housing: Government Residential Buildings

(Rupees in crore)

Year	BE	AE	Excess (+)/ savings (-)	Percentage of Excess/savings
1999-2000	30.00	13.83	(-) 16.17	(-) 53.9
2000-01	30.00	26.13	(-) 03.87	(-) 12.9
2001-02	27.00	08.39	(-) 18.61	(-) 68.9
2002-03	36.59	33.53	(-) 03.06	(-) 08.4
2003-04	35.00	14.25	(-) 20.75	(-) 59.3
2004-05	25.00	06.07	(-) 18.93	(-) 75.7

Table 2: Capital outlay on Public works: Construction

(Rupees in crore)

Year	BE	AE	Excess (+)/ savings (-)	Percentage of Excess/savings
1999-2000	70.00	63.49	(-) 06.51	(-) 09.3
2000-01	70.00	53.65	(-) 16.35	(-) 23.4
2001-02	67.20	25.43	(-) 41.77	(-) 62.2
2002-03	67.20	11.77	(-) 55.43	(-) 82.5
2003-04	68.00	22.34	(-) 45.66	(-) 67.1
2004-05	70.00	31.83	(-) 38.17	(-) 54.5

4.2 A comparison of actual expenditure with budget provisions shows that the savings under capital outlay on housing ranged from 53.9 per cent to 75.7 per cent in

1999-2000, 2001-02, 2003-04 and 2004-05. Similarly, percentage of saving under Capital outlay on public works was 54.5 to 82.5 during 2001-02 to 2004-05. This indicated that MEA had not assessed the requirement of funds correctly.

4.3 Table 3 contains the details of actual expenditure incurred by MEA on rent during 1999-2000 to 2004-05.

Table 3: Actual Expenditure on rent

(Rupees in crore)

Year	2052	2061 External affairs		Total
	Sectt. Gen. Service Rent Rates & Taxes	Embassies and Missions	Passport and Immigration offices in India	
1999-2000	5.77	156.23	1.85	163.85
2000-01	11.78	157.25	4.16	173.19
2001-02	10.63	170.68	5.92	187.23
2002-03	06.40	191.92	3.62	201.94
2003-04	06.91	198.18	3.75	208.84
2004-05	07.12	204.07	4.18	215.37

Despite the recommendations of PAC and the standing Committee of Parliament on MEA, expenditure on rentals steadily increased from Rs. 163.85 crore in 1999-2000 to Rs. 215.37 crore in 2004-05.

5. Properties/Projects abroad

5.1 The rules and instructions to be followed for acquistion, construction, leasing, maintenance and disposal of properties are contained in the Indians Foreign Service (Pay, Leave, Compensatory Allowances and other conditions of Service) Rules [IFS (PLCA) Rules], Financial Powers of Government of India Representatives Abroad (FPGOIRA) and various other orders issued by MEA from time to time. MEA's guidelines of August 1986 stipulated *inter alia* that, before a property was purchased or constructed, economic viability of the deal was invariably to be considered. The economic cost is computed taking into account the present rent, the rate of compound increase in rent during the last ten years and working out rent to be paid for the next thirteen years. If the cost of acquisition/construction of property in quesiton was within the economic cost so arrived, the proposal was to be considered economically viable.

5.2 Audit examination revealed that MEA did not maintain a consolidated record of all Government owned or leased properties. MEA stated in reply to audit query (July 2004 and February 2005) that they had started a 'box file' with provision for detailed information on government properties abroad on the basis of data called

from the Missions. Coming to the system of monitoring the progress of construction of various projects, MEA had, on the recommendation of the Standing Committee of the Parliament on External Affairs, constituted a committee headed by Foreign Secretary in June 2003. Audit scrutiny, however, revealed that MEA did not take any action on the status reports submitted by their Establishment Division between June 2003 and April 2004. MEA also stated (February 2005) that with the creation of a new 'Project Division' they proposed to hold regular review meetings and monitor progress of the projects at the levels of Foreign Secretary and Minister, on a monthly basis.

5.3 The Vienna convention made reciprocity the cornerstone of diplomatic relations between countries. Land allotted by countries to each other's diplomatic Missions/Posts was also to be based on this principle. While MEA furnished information on land allotted to foreign Missions in India, it did not furnish the information regarding reciprocal allotment of land to Indian Missions in those countries. Audit could not, therefore, check whetehr the principle of reciprocity was observed. Audit examination of the records maintained by MEA and various Missions/ Posts however, revealed the position indicated in following sub paragraphs.

5.4 Inability to acquire land on reciprocal basis

MEA could not acquire plots of land from the Governments of Ethiopia and Algeria on reciprocal basis even after a lapse of 46 years and 20 years respectively.

5.4.1 Addis Ababa (Ethiopia)

GOI allotted (1958) a plot of land measuring 5.864 acres in Chanakyapuri, New Delhi to Ethiopian embassy at a cost of Rs. 4.98 lakh on reciprocal basis. Government of Ethiopia was to allot a plot of land measuring 5.5 acres in Addis Ababa to GOI for E$ 2,33,370.52 (Rs. 4.45 lakh) in a ready to build condition. Government of Ethiopia offered a plot of land measuring 5.5 acres in 1958 but did not hand over possession due to encroachment. The Mission had taken up the issue with the Foreign Government in 1974, 1985, 1994 and 1996 but the Ethiopian Government did not offer acceptable plot of land. The MEA/Mission had not been able to acquire the plot of land in Addis Ababa. (February 2005) and the Mission had been incurring recurring annual expenditure of Rs. 60.52 lakh on rentals for its Chancery, Embassy Residence (ER) and other residences.

MEA stated (February 2005) that the Mission had repeatedly taken up the issue with the Foreign office of Ethiopia and the latest reminder was issued in December 2004. MEA was also putting pressure through Ethiopian embassy in New Delhi.

5.4.2 Algiers (Algeria)

In 1984, MEA approved the proposal for transfer of a plot of land measuring 4710 sq.m. in New Delhi to the Algerian Embassy against the transfer of the then Embassy Residence (ER) and an adjacent plot in Algiers allotted to the Mission on reciprocal basis. However, the transfer did not materialise. In 1990, the Algerian Government offered two plots of land in Algiers against a plot of land in New Delhi

but this also did not materialise as the Head of the Mission (HOM) felt that the land in Algiers could not be equated with the land in Chanakyapuri, New Delhi in terms of location, state of development, prestige or value. In December 1999, the Mission sent another proposal for acquiring two plots in Algiers. This proposal also did not succeed as MEA sought some clarifications, which were provided by the Mission, but final decision was not taken by MEA. Subsequently in May 2003, the Mission again sent a proposal for a plot of land measuring 4500 sq. m. in Algiers on reciprocal basis against a plot of land measuring 1.498 acre in new Delhi, which was still earmarked for the Government of Algeria. But MEA had not taken final decision. This resulted in the Mission continuing to incur annual expenditure of Rs. 1.23 crore on rentals.

MEA stated (February 2005) that the Mission was being asked to obtain suitable offers from the Algerian Government failing which the Mission might explore the possibility of purchasing land/built-up property on commercial terms.

Recommendation

- *MEA needs to take immediate steps to identify the stations where land had not been allotted to Indian Missions on reciprocal basis and take effective measures at the highest level to acquire the land. Alternatively, they should actively consider charging commercial rates in respect of the land allotted to those countries in India.*

5.5 Delays in construction on acquired land

MEA was not able to commence construction at 14 stations abroad for years together owing to delay in acquisition of land, appointment of consultants, finalisation of designs, cost estimates, delay in obtaining approval of local authorities, etc. Such delays led to continuous recurring expenditure of Rs. 11.80 crore per annum on rentals and blocking of capital of Rs. 13.81 crore on properties lying unutilised. Besides, such delays would lead to increase in the cost of construction with time.

5.5.1 Abuja (Nigeria)

The Government of Nigeria allotted two plots of land in Abuja to GoI on a lease of 45 years. One plot was allotted during 1989 for construction of embassy residence at a cost of Rs. 15.37 lakh. The other plot was allotted in August 1990 for the Chancery Building at a cost of Rs. 1.46 crore. MEA signed the agreement with the consultant only in January 2004. MEA accorded approval for the first phase of the project at a cost of Rs. 13.86 crore in January 2005 Detailed estimates and drawings were being got approved from local authorities in Nigeria. The project was likely to take off within six months after the completion of pre-construction formalities.

The Mission continued to incur annual expenditure of Rs. 25.92 lakh on rentals and Rs. 1.66 lakh on security for the two plots of land. Investment of Rs. 1.61 crore also remained blocked for 15 years.

MEA stated (October 2005) that the consultant was initiating the exercise for seeking the local body's approval.

5.5.2 Port Louis (Mauritius)

GoI allotted a plot of one acre valued at Rs. 4.37 crore to the High Commission of Mauritius in June 1990 in Diplomatic Enclave, New Delhi free of cost. Government of Mauritius allotted a plot of land to GoI in February 2000 free of cost, on a lease of 99 years. Mauritian Government took back the land and allotted a new plot of land in 2004.

The delay in acquisition of plot and construciton led to recurring expenditure of Rs. 98.81 lakh per annum on rentals of leased buildings.

MEA stated (October 2005) that terms of reference for selection of consultant and design brief were being finalised.

5.5.3 Brasilia (Brazil)

Paragraph 8.2 of Report No. 2 of 2001 of the Comptroller and Auditor General of India highlighted the idling of a plot of land gifted in 1965 by Brazil fo construction of accommodation for an Embassy Complex in Brasilia and continued payment of rent for hired accommodation. Even after a lapse of almost 40 years since acquiring the land. MEA had not been able to construct its Embassy complex in Brasilia.

The Mission continued to make payment of Rs. 1.33 crore per annum on rentals.

MEA stated (October 2005) that preliminary estimates of construction project were under examination and CNE[1] note was under preparation.

5.5.4 Warsaw (Poland)

The Embassy of India, Warsaw acquired (1988) a plot of land at a cost of Rs. 1.21 crore on perpetual lease for construction of chancery and residences for India based officials. Except appointing an India based consultant in April 1989, MEA/Mission did not take any further action on the project. Even after almost 15 years of acquisition of land, construction had not commenced.

The Mission had, in the meanwhile, been incurring annual expenditure of Rs. 1.18 crore on rentals of chancery and residences in Warsaw. Rs. 1.21 crore invested on the plot of land remained blocked.

MEA stated (February and October 2005) that the CNE had approved the project at a cost of Rs. 33.82 crore in December 2004 and the consultant was preparing for submission of drawings for seeking local body's approval.

5.5.5. Paramaribo (Suriname)

Government of Suriname donated a plot of land in Paramaribo (1992) for construction of Indian Cultural Centre. The Mission proposed to construct the centre in

---

[1]Committee on Non-plan expenditure

Feburary 1993. The plot of land was lying vacant and Government of Suriname took it back in May 1997 and allotted another plot measuring one hectare in July 1998. Consultant for the project was yet to be appointed (February 2005). The cultural centre at paramaribo was still functioning from a rented property though the new plot was allotted by Government of Suriname seven years back.

MEA stated (October 2005) that area development norms and design brief were being finalised for circulation among short listed consultants.

5.5.6 Islamabad (Pakistan)

The Mission acquired two plots of land in Islamabad in 1962 at a total cost of Rs. 9.60 lakh for constructing chancery building and residential accommodation respectively. Another adjacent plot of land was purchased in 1980, at a cost of Rs. 18.68 lakh and Rs. 1.12 lakh was paid as amalgamation fee. The chancery was constructed in 1989. Residential accommodation was to be constructed in the second phase. Though the fee for amalgamation was paid in 1980 the matter was taken up with the local authorities only in 1997 and amalgamation was approved in March 1999. Possession of the land was taken in February 2003. A property team visited Islamabad in May 2004 and recommended construction of 70 residential units.

Delays on the part of MEA and the Mission, in processing the requirements resulted in the Mission continuing to incur expenditure of Rs. 2.14 crore per annum on rentals of leased accommodation.

MEA stated (October 2005) that preliminary drawings and estimates had been approved and tenders for construction of boundary wall were under examination for award of contract. It further stated that CNE note was being submitted to Ministry of Finance.

5.5.7 Kathmandu (Nepal)

Foundation stone for the new chancery complex was laid (October 1968) in the embassy campus in Kathmandu, which was spread over 45.79 acre. Construction was yet to start (February 2005) and the Mission was functioning from the old dilapidated barracks and some of its officers and staff were residing in leased accommodation MEA was incurring a recurring expenditure of Rs. 53.33 lakh per annum on rentals.

MEA stated (October 2005) that Cabinet approval for the project was received in July 2005 and local body's approval for drawings was being sought.

5.5.8 Dar-es-Salaam (Tanzania)

Government of Tanzania allotted a plot of land (1987) on lease for 33 years with effect from 1 January 1992 with annual rental of TSh. 40,000 (4465) for construction of the chancery complex. The Mission obtained a certificate of occupancy only in May 1999 and proposed (February 2001) construction of chancery building and residential apartments. Even after 16 years of the allotment of land and expiry of more than one-third of the lease period, construction project at Dar-es-Salaam was yet to start (February 2005). MEA continued to spend Rs. 78.63 lakh per annum on rentals.

MEA stated (October 2005) that preliminary estimates received from the consultant were under examination.

5.5.9 Dhaka (Bangladesh)

GoI acquired a plot of land in Dhaka in exchange of three acres of land in New Delhi, through an inter government agreement signed in May 1992. Later the Mission in Dhaka felt that the land acquired was of an odd shape and to make it a complete four-sided plot, an adjacent plot was acquired in August 2000 at a cost of Rs. 10.76 crore. Though the major part of the land was acquired in 1992, construction was yet to start (February 2005).

MEA was incurring annual expenditure of Rs. 1.58 crore towards rent for leased properties. Investment of Rs. 10.76 crore also remained blocked since August 2000.

MEA stated (October 2005) that the consultant had been selected for the project and he was preparing the preliminary designs and estimates.

5.5.10 Doha (Qatar)[2]

MEA acquired a plot of land in Doha in 1979 for construction of chancery and ER. The project could not take off, as MEA could not complete allotment of plot to that country in Delhi on reciprocal basis. This issue was settled only in September 1994 and the project was revived in 1995. MEA obtained the CNE approval to the project cost of Rs. 21.25 crore only in October 2001. The project could not be taken up as the Qatar Government decided (August 2002) to shift the diplomatic area on security and other grounds. The local authorities had not finalised the allocation of land in the new diplomatic area as of October 2004. Thus the land acquired remained vacant for more than 26 years without construction of the chancery and ER.

Mission was incurring an expenditure of Rs. 52.05 lakh per annum on rentals of leased properties.

MEA stated (October 2005) that the Mission had been asked to follow up with the local authorities for early allocation of plot.

5.5.11 Muscat (Oman)[2]

Government of Sultanate of Oman signed an agreement with GoI for allotment of a plot of land in December 1991 under reciprocal arrangement for construction of Chancery-cum-Embassy residence but MEA/Mission appointed a consultant in Muscat, only in August 1999 for the project and signed a formal agreement in June 2000. The consultant submitted concept plan and preliminary estimate of Rs. 23.25 crore and MEA obtained CNE approval for a project cost of Rs. 21.28 crore in October 2002. Tender documents for construction project were finalised in March 2004.

Delay in taking up construction resulted in outgo of Rs. 2.04 crore per annum on rents of leased accommodation and escalation in the cost of construction.

MEA stated (October 2005) that tenders for the project had been floated and it intended to negotiate with the lowest bidder.

---

[2]Paragraph 8.1 of Report No. 2 of 2001 (Civil) of the Comptroller and Auditor General of India mentioned instances of avoidable expenditure incurred because of delays in decisions on construction at the Missions in Doha and Muscat.

5.5.12 Port of Spain (Trinidad and Tobago)

The Government of Trinidad & Tobago donated a plot of land measuring five acre to India in 1994 on 99 years' lease, under an agreement signed in 1987, for setting up an Indian Cultural Centre. The Mission, without the approval of MEA, incurred an expenditure of Rs. 1.22 lakh on the formal handing/taking over ceremony.

MEA signed an agreement with the consultant in February 2000 and initiated action for CNE approval in August 2002 on the consultant's estimate of November 2001. The project was finally approved in July 2003 and the consultant was still working on construction drawings. The Mission, in the meanwhile, was paying Rs. 22.15 lakh per annum towards rental charges of the leased premises.

MEA stated (October 2005) that the consultant had been directed to prepare and submit detailed estimates and design without further delay.

5.5.13 Nicosia (Cyprus)

GoI purchased a plot of land in Nicosia. Cyprus for Rs. 23.38 lakh in March 1989 for construction of staff quarters. The project could not progress at it was not considered to be economically viable and the HOM, in June 2000, proposed disposal of the plot. No decision was taken by MEA.

The project was revived in 2002 and was again not considered as economically viable. MEA asked the Mission in July 2004 to ascertain informally whether commercial sale of the plot was permissible and the possible return it would yield.

While the investment of Rs. 23.38 lakh on acquring the plot had not fetched any return for over 15 years, the Mission continued to spend Rs. 22.10 lakh annually towards rentals of leased properties.

MEA acquired the land without considering the economic viability of construction of residences for staff. MEA stated (February 2005) that the sale of the plot could be considered.

MEA stated (October 2005) that proposal of the Mission to construct five residential units alongwith a multipurpose hall was under examination.

5.5.14 Abu Dhabi (UAE)

In May 1984, a plot of land was acquired in Abu Dhabi on reciprocal basis for construction of chancery and ER. As the land was lying vacant, the foreign Government had taken it back and allotted another plot of identical proportions in 1987.

MEA approved the construction project in July 1989 and issued the expenditure sanction in March 1990. Construction work without interior work was finally awarded only in March 1998 after obtaining CNE approval in February 1998. The project was completed in July 2000. The essential interior work of the Chancery was completed

locally at a cost of Rs. 58.12 lakh and was finally occupied in November 2001 after 15 months from the date completion.

Interior decoration of both the Chancery and ER awarded in June 2003 at a cost of Rs. 2.31 crore with November 2003 as date of completion was completed in March 2004.

Delay in short listing of contractors and award of work resulted in cost escalation by Rs. 14.03 crore and non-synchronisation of civil work and interior work contributed to an additional expenditure of Rs. 2.13 crore on rentals for the Chancery and ER for the period December 2000 to October 2001 and December 2000 to February 2004 respectively.

MEA stated (February 2005) that the agreements now being signed with the consultants included interior work along with the main project work which would help avoid similar situations.

Recommendation

- *MEA needs to speedily complete per-construction activities such as finalisation of design brief, appointment of consultant and ensure execution of projects within a targetted timeframe through a pecific monitoring plan for each project so as to avoid time and cost overruns and recurring rental expenditure.*

5.6 Property lying vacant for want of re-construction/re-development.

5.6.1 Three cases where the properties could not be put to use for many years for want of re-construction/re-development by MEA/Missions are discussed in Table 4:

Table 4: Vacant property awaiting re-construction/re-development

Sl. No.	Mission/Post	Audit observation	Expenditure on rental	Mission/ MEA's reply
1	2	3	4	5
Recommendation				
1.	Singapore	All properties of GoI in Singapore were in dilapidated condition and the Mission had been sending proposals for their redevelopment since 1992. The embassy residence (ER) was declared unsafe by the concerned local authority and the HOM was residing in a leased accommodation since December 1995. A high level team led by Cabinet Secretary and comprising Foreign	Inordinate delay in re-development of properties resulted in expenditure of Singapore $ 2.783 million (Rs. 7.73 crore) from December 1995 to October 2004 on alternate accommodation. The outgo on	MEA stated (February 2005) that CNE had approved the project at a cost of Rs. 22.31 crore in October 2004 subject to certain clarifications, which had been obtained from the

1	2	3	4	5
		Secretatry and Secretary (expenditure) as members visited Singapure in January 1996, which recommended restoration of embassy residence, commercial exploitation of chancery building and re-development of staff residences to accommodate chancery and cultural centre. The plan for reconstruction of HOM's residence, construction of two residential units and redevelopment of the remaining two properties was approved only in May 2002. MEA went on revising the cost estimates of the project and was yet to accord approval (October 2004).	rent continued at Rs. 81.08 lakh per annum.	consultant, and the proposal was being processed for final approval of the CNE. It further stated in October 2005 that CNE had approved the proposal in April 2005. Tender documents were being prepared and the Mission was seeking expression of intent of the intended contractors for pre-qualification of contract.
2.	Tokyo (Japan)	Five properties in Tokyo were old and required redevelopment. The Mission sent a proposal for re-development of these properties to MEA in 1993. Property teams visited Tokyo in 1993, 1995, 1996 and 1997 preceded by a working level team. The residence of Deputy Chief of Mission (DCM) was abandoned in1997 as it had been declared unsafe. The Mission proposed in march-July 2000 urgent repair to embassy residence (ER) and redevelopment of other properties including construction of a cultural centre. MEA took about ten years to finalise the redevelopment plan even though	Mission ended up incurring expenditure of Rs. 1.57 crore per annum on rentals of leased accommodation.	MEA stated (October 2005) that Design Selection Committee had selected the consultant. Terms of agreement with the consultant and preliminary estimates for the project were under examination.

1	2	3	4	5
		various teams visited Tokyo between 1993 and 2002.		
3.	Geneva (Switzerland)	Paragraphs 6.1 of Report No.2 of 1993 and 4.2 of Report No.2 of 1997 of the Comptroller and Auditor General of India had referred to property purchased by PMI Geneva in 1989 that was lying idle. While submitting the action taken note to the Public Accounts Committee, MEA stated (1999) that the proposal to either sell or renovate the property was under consideration. Audit scrutiny revealed that a final decision was yet to be taken on the use of the property that remained idle since 1989, as of October 2004 despite the matter being reported in two Audit Reports presented to Parliament.	Apart from the investment of Rs.6.19 crore not fetching any return since August 1989, rent amounting to Rs.5.98 crore had been paid till December 2003 for the residence leased for the Permanent Representative (PR), which was continuing.	MEA stated (February 2005) that the formal sanction for S. Fr. 2.72 million (Rs.10.10 crore) had been issued in August 2004 and approval of local authorities had been obtained in December 2004. Five contractors had been short-listed and financial bids had been called for by the end of February 2005. It further stated in October 2005 that contract had been awarded and construction had commenced in June 2005.

Recommendation

- MEA needs to speed up the re-construction or re-development of the properties lying vacant to minimise the outgo of rent on leased accommodation.

5.7 Disposal of GOI owned properties

5.7.1 Audit examination revealed that 'four' government owned properties were awaiting disposal as indicated in Table 5.

Table 5: Properties awaiting disposal

Sl. No.	Mission/Post	Audit observation	Idle investment	Mission/ MEA's reply
1	2	3	4	5
1.	Bangkok (Thailand)	MEA purchased a plot of land measuring 4524 sq. m. in 1974 at a cost of Rs. 25.40 lakh for construction of ER and accommodating staff of the Mission. MEA felt (1988) that it was not suitable for construction of residences, as it had got hemmed in on all sides by construction of buildings. MEA decided only in 1998 to sell the plot.	Investment of Rs. 25.40 lakh remained idle for 30 years and erosion of sale value could not be ruled out.	MEA stated (October 2005) that after an assessment of the plot by a property team, it had been decided to construct embassy residence (ER and cultural centre on it. Consultants for the project had been short-listed and design brief for conducting a competition among the short listed consultants was under preparation.
2.	Damascus (Syria)	MEA purchased the chancery building in Damascus in 1978 for Rs. 50.26 lakh. A new chancery building was also purchased in April 2002 at a cost of Rs. 14.73 crore including the cost of renovations/repairs, furniture and fittings. The old chancery was vacated and this building was occupied in June 2003.	The old premises continued to remain vacant resulting in idling of the investment of Rs.50.26 lakh since June 2003.	MEA stated (October 2005) that it was in the process of taking a decision on whether the property was to be sold in Syrian pounds or redeveloped/ remodelled for residential purposes.

1	2	3	4	5
3.	Dar-es-Salaam (Tanzania)	One flat/residentce of security guard, a government owned property, was lying vacant from 2002 as both the security guards had been accommodated in the chancery building. The area of the flat was 59 sq. m., which was less than the entitlement of a Group 'C' staff member and being a flat it could not be expanded. The Mission had been asked to dispose the property which was not done till February 2005.	The cost or the market value of the property was not ascertainable from the records.	MEA stated (October 2005) that the matter was being pursued by the Mission with the Tanzanian legal corporation to obtain the sale agreement and the lease deed.
4.	Bonn (Germany)	The embassy building at Bonn was purchased in March 1982 at a cost of Rs.54.08 lakh. An Indian post was opened in Munich in July 2000, which became operational in April 2002 and the office in Bonn was closed from May 2002. The Mission requested MEA only in June 2003 to send a property team for taking a decision on the utilisation of the property in Bonn. MEA did not depute a property team nor had the Mission formulated a proposal for disposal or utilisation of the property (October 2004).	Failure of the Mission and MEA to dispose of the government owned building at Bonn of a market value assessed at DM 2 million (Rs. 4.32 crore) in 2001, resulted in blocking of this amount and annual expenditure of Rs. 9.15 lakh on maintenance of the building. The value of the property could be going down with disuse.	MEA stated (October 2005) that in response to sealed bids invited by the Mission for sale of the property, only one bid was received which was considerably lower than the value assessed by Bonn board of assessors. MEA had initiated the process for realistic assessment of the value of the property.

Recommendation

- MEA should urgently complete the listing of all properties lying vacant for long periods, prioritise the same for disposal to the best advantage of the Government and follow it up with an action plan for disposal in order to avoid further deterioration in their condition and possible reduction in value.

6. Miscellaneous irregularities

6.1 Acquisition of dilapidated property without a title to land

6.1.1 Kyiv (Ukraine)

Paragraph 8.5 of Report No. 2 of 2000 of the Comptroller and Auditor General of India highlighted the failure of the Embassy of India Kyiv to take possession of the land allotted to GOI on reciprocal basis, injudicious purchase of another property and failure to carry out the requisite repair/renovation leading to the property remaining idle. In its Action Taken Note of July 2001 MEA, while attributing the delay in commencement of renovation works to difficulties in obtaining required approvals from local authorities, mentioned that the mandatory structural assessment of the building received in October 1999 revealed that the building was in an unsatisfactory condition and that the cost estimate for renovation was prohibitive. MEA, therefore, abandoned the idea of renovation and contemplated various alternatives until July 2002, when it decided to demolish the existing dilapidated structure to construct residential flats for its India-based staff and went on to appoint a local consultant in June 2004. MEA stated in July 2004 that it was continuously striving for optimum utilisation of property.

Test check by Audit (March 2005) disclosed that the MEA/Mission did not carry out the mandatory comprehensive assessment of the structure nor prepare any detailed estimate of the cost of renovation before acquiring the property in September 1995. Besides, while acquiring the property, GOI did not acquire the title to the land either through lease or through outright purchase with the result that even if renovated, the property could not be utilised. The need to separately acquire the legal right to utilise the property was realised by the Mission and intimated to MEA in 1999. At that stage, there was an offer from the local authorities (GDIP[3]) to lease out the land for 49 years for non-residential use. This aspect was not followed up by the Mission and MEA and no agreement was signed. In the wake of the decision of July 2002 to utilise the land for residential purposes, MEA would be required to conclude an agreement with the local authorities for US$ 23000 approx.

Failure of the Mission/MEA to carry out the elementary pre-acquision formalities resulted in acquisition of a property in a dilapidated condition, neither renovation nor its demolition and re-construction was possible as the Government of India had no title to land. Thus, the entire investment of USD 800,000 (Rs. 2.53 crore) was infructuous and utilisation of the property, given the legal status and financial implication appeared difficult. While construction of residential flats also did not progress, the Mission was incurring recurring rental liability of Rs. 1.14 crore per annum towards leased residential apartments for its India based staff.

[3] General Management for Rendering Services to the Foreign Representation Offices.

6.2 Title to property purchased not transferred by foreign government

Audit noticed an instance where title in respect of property purchased by MEA was not transferred by the foreign government even after 18 years of purchase.

6.2.1 Harare (Zimbabwe)

The ER, in Harare, with a plot area of 17.8604 acre was purchased in March 1987 at a cost of Rs. 43.69 lakh (Z$ 620,000) without the formal approval of the local government. The title to the property had not been transferred in the name of Indian Embassy (February 2005). The main objection on the part of the Government of Zimbabwe was that the area of the property was much higher than what could be acquired by diplomatic Missions.

Thus, even after a period of 18 years the title to the property was yet to be transferred in the name of GOI. The excess land was lying unutilised and the investment of Rs. 43.69 lakh was at stake.

MEA stated (February 2005) that ever since the date of purchase, the Mission had tried its best to obtain the transfer of the title in favour of GOI without result and in view of the audit recommendation the matter would be taken up with the Zimbabwean authorities on priority.

6.3 Irregularities in maintenance of properties abroad

6.3.1 HOM is empowered to incur expenditure as per the delegated powers prescribed under S.No. 4(a) of Schedule I to the FPGOIRA, regarding maintenance of and repairs to government owned property (ER/CR). Scrutiny of the records pertaining to maintenance and expenditure on repairs revealed that expenditure had been incurred in excess of the delegated powers of the HOM in three Missions as per details given in Table 6.

Table 6: Unauthorised expenditue on repairs and maintenance

(Rs. in lakh)

Sl. No.	Mission	Period	Expenditure incurred	Delegated power	Excess expenditure
1.	Canberra (Australia) Chancery	2000-04	53.82 (4 years)	36.46 (US$ 19270 per annum)	17.36
2.	Nairobi (Kenya) Embassy Residence	2002-04	16.74 (2 Years)	14.18 (US$ 15410 per annum)	2.56
3.	Kuala Lumpur (Malaysia) Chancery	2001-04	59.22 (3 years)	33.01 (US$ 23120 per annum)	26.21
	Total				46.13

MEA stated (February 2005) that the excess expenditure at Nairobi was under regularisation.

6.3.2 A provision was made by the Missions by mutual agreement with the lessor in the lease deeds while renting accommodation making the lessor liable for normal maintenance and repairs of the building so as to keep the premises in good habitable condition. Three Missions had incurred expenditure on maintenance and repairs in violation of this provision as detailed in Table 7.

Table 7: Unauthorised expenditure on Maintenance and Repairs

(Rs. in lakh)

Sl. No.	Mission	Period	Expenditure
1.	Islamabad (Pakistan)	2002-04	31.89
2.	Nairobi (Kenya)	1999-04	14.80
3.	Maputo (Mozambique)	2000-04	19.40
	Total		66.09

MEA stated (February 2005) that in respect of Islamabad and Maputo various factors like security, urgency, the lessor not attending to the requests for carrying out urgent repair and maintenance work were encountered and the Missions were left with no choice but to undertake the essential works to keep the premises habitable. Though the responsibility of normal maintenance and repairs of the buildings rested with the lessor, the Missions/MEA were not able to enforce the same in spite of the existence of otherwise valid lease agreements.

6.4 Irregularities in hiring of accommodations abroad

6.4.1 Rentals paid in excess of ceilings

In terms of para 4 (18) (i) of Annexure X of the IFS (PLCA) Rules, rental ceilings have been prescribed by MEA that can not be exceeded by the missions without prior approval of the government. Scrutiny of the records in four Missions revealed that they paid rentals at rates higher than the prescribed rental ceiling without the prior approval of MEA as detailed in Table 8.

Table 8: Rentals paid in excess of ceilings

(Rs. in lakh)

Sl. No.	Mission	Rental ceiling	Rental paid	Period	Excess rentals	MEA' reply (February 2005) and audit rebuttal
1	2	3	4	5	6	7
1.	Ulaan Baatar (Mongolia)	US$ 550 (Second Secretary)	1200	(i) 9.2.2000 to 14.5.2000	1.64	The Mission had hired the accommodation for a Second Secretary as per the prescribed ceiling. The reply is not tenable as the rental ceiling of US $ 900pmwas re-fixed
		-do-	1100	(ii) 15.5.2000 to 14.4.2002	24.59	
		-do-	1210	(iii)		July 2004 whereas the

1	2	3	4	5	6	7
		-do-	1210	(iii) 15.5.2002 to 14.1.2003		only in audit comment points tothe period up to January 2004. Rents were paid inexcess for even
		-do-	1510	(iv) 5.1.2003 to 14.1.2004		the revised ceilings fixed in July 2004 without the approval of MEA.
2.	Wellington (NZ)	NZ$1868.45 (Assistant) NZ$ 1868.45 (Accountant) NZ$1303.57 (Counsellor)	2036.66	(i) 1.6.2002 to 30.6.2004	1.24	The Mission had paid rentals at higher rates due to shortage of accommodation and increase in the demand of the tenants. *The reply is not tenable as the Mission paid rentals in excess of the rental ceiling without the approval of MEA.*
			1956.50	(ii) 1.3.2003 to 30.6.2004	0.41	
			2816.16	(iii) 1.5.99 to 31.7.2002		
			3012.82	(iv) 1.8.2002 to 30.6.2004	11.57	
3.	Kuwait	Not fixed* Rs. 121.48 lakh for 24 in cumbents for one year	Rs. 156.00 lakh incumbents for one year	2003-04 for 24	34.52	The Mission had hired furnished accommodation whereas the ceiling was for unfurnished accommodation. *The reply is not tenable, as in cases where the rental ceiling was not fixed, the power delegated to HOM was limited to the rental ceiling of US $ 920 per month, whereas all flats hired by the Mission in Kuwait exceeded the limit.*
4	Dar-es-Salaam	US$ 2500	2750	16.8.01 to 15.8.2004	4.18	No reply was received.
	Total				95.50	

(**Rent should not exceed US $ 920 per month as prescribed in the Financial Powers of Government of India's Representatives Abroad.)*

Thus, the Missions incurred excess expenditure of Rs. 95.50 lakh over the prescribed rental ceilings without the approval of MEA.

6.5 Irregular/Unauthorised payments

While hiring accommodations on lease, the HOM of the following Missions had exceeded their delegated powers and made irregular/unauthorised payments:

6.5.1 Beirut (Lebanon)

As per the instruction of MEA conained in its circular letter of October 1997,

commission to property agent was to be paid only with the approval of MEA. The Mission in Beirut hired an accommodation for Embassy Residence (ER) in September 2001 at a rent of US$ 49500 (Rs. 23.43 lakh) p.a. for a period of 37 months from 1 December, 2001 to 31 December, 2004. MEA while conveying approval to the lease agreement in October 2001 specifically mentioned that no separate agency charges were to be paid for hiring of the said residence. However, the Mission paid agent's commission amounting to Rs. 1.83 lakh (Rs. 88,896 in September 2001 and Rs. 94,483 in December 2001) violating the instructions of MEA.

6.5.2 Dhaka (Bangladesh)

The Mission as Dhaka hired accommodation for Attache with effec from 1 December 2001 at a monthly rent to Taka 20700 (Rs. 17250) without the approval of MEA and paid rent of Taka 662,400 (Rs. 5.52 lakh) for December 2001 to July 2004. In another case, the Mission hired a new accommodation in July 2001 for Assistant Defence Advisor at Taka 28750 (Rs. 23958) per month in the place of the existing one, the rent for which was Taka 24,500 (Rs. 20416) per month. The rent of the new accommodation exceeded the delegated financial powers of the HOM. The Mission did not secure MEA's approval and paid Taka 10,92,500 (Rs. 9.10 lakh) for the period July 2001 to August 2004. Mission's request (July 2001) for ex-post facto sanction was yet to be approved by MEA.

Thus, the Mission incurred irregular expenditure of Rs. 14.62 lakh on rentals.

6.5.3 Retention of vacant accommodation

In terms of Para 7(6) of Annexure X of IFS (PLCA) Rules, vacant leased residential accommodation cannot be retained for more than 90 days without prior approval of MEA. In the cases shown in Table 9, the Missions had retained vacant accommodation in violation of the Rules.

Table 9: Unauthorised retention of vacant leased accommodation

(Rs. in lakh)

Sl. No.	Mission	Period of retention of vacant accommodation	Lease rent paid
1	2	3	4
1.	Ulaan Baatar (Mangolia)	(i) 2.9.1999 to 8.2.2000	2.91
		(ii) 18.2.2000 to 15.10.2000	7.05
		(iii) 16.10.2000 to 5.6.2003	6.87
2.	Beijing (China)	19.12.2002 to 18.8.2003	3.65
3.	Abu Dhabi (UAE)	(i) Sep. 2003 to January 2004	1.75
		(ii) 6.4.2004 to 31.8.2005	1.97
4.	Kabul (Afghanistan)	5.8.2002 to 5.1.2003	3.52
5.	San Francisco (USA)	(i) 1.8.2000 to 13.2.2001	33.41

1	2	3	4
		(ii) 15.11.2002 to 23.3.2003	16.62
6.	Luanda (Angola)	1.12.2000 to 6.3.2000	13.58
7.	Khartoum (Sudan)	16.12.2001 to 14.12.2002	23.73
8.	Antananarivo (Madagascar)	27.3.2001 to 19.9.2001	1.42
9.	Munich (Germany)	14.12.2003 to 30.6.2004	7.27
10.	Kandy (Sri Lanka)	18.5.2001 to 7.9.2001	0.41
		Total	124.16

Thus, the Mission incurred unauthorised expenditure of Rs. 1.24 crore on retention of vacant leased accommodation, contravening the MEA's orders.

MEA while agreeing to the need for compliance with instruction, attributed the vacant retentionof accommodation to late arrival of the incoming officials. The reply is not tenable as the matter is not merely is not merely procedural. There are clear instructions of MEA that accommodation should not be kept vacant for more than 90 days, which need to be followed by Mission with careful planning.

Recommendations

- MEA should get the structural soundness evaluated through a reputed firm and legality of the title to land/property examined with reference to local laws in force before concurring to such proposals.
- MEA should attempt to resolve the dispute with the Government of Zimbawe expeditiously in order to get the title of the land transferred in the name of Government of India/Mission.
- In the event of the Missions having to carry out repair and maintenance work, the expenditure incurred should be recovered from the rent payable. MEA may consider including a specific provision for this in the format of the lease deeds and put in place an effective inforcement mechanism.
- MEA needs to exercise more effective control over the Missions/Posts abroad to ensure that irregulare expenditure on rented accommodation in excess of prescribed rental ceilings and vacant retention did not recur.
- MEA would need to curb the tendency on the part of Mission to routinely violate instructions on ceiling for area and rentals for leased properties to improve financial discipline and enforce good practive.

7. Properties/Projects in India

7.1 MEA had commissioned construction projects for offices and residences for officers in Janpath, Pappankalan and Chankyapuri in New Delhi. MEA had also taken up constuction of buildings to house the regional passport offices (RPO) at Bangalore, Lucknow, Jaipur and Bhubaneshwar. Passport offices at eight places (Ahmedabad,

Chandigarh, Cochin, Hyderabad, Kozhikode, Mumbai, Panaji and Patna) were functioning from Government owned buildings and 17 passport offices were functioning from rented building. The process of purchase of land for construction of buildings for RPOs at five places (Guwahati, Thiruvananthapuram, Tiruchirapalli, Jammu & Kashmir, Jallandhar) was stated to be in progress.

7.2 Residential Projects

7.2.1 Pappankalan New Delhi residential quarters project

MEA purchased a plot of land measuring 4.08 acre from DDA in March 1993 at a cost of Rs. 2.80 crore at Pappankalan, Dwarka for construction of a Housing Complex for MEA officers and staff. The complex was completed in April 2002 at a cost of Rs. 18.37 crore. The hosuing complex became functional only in April 2004. Out of total 230 flats, only 44 had since been occupied and 186 were still vacant (October 2004). Additionally, there were 16 servant quarters, which were also lying vacant.

Investment of Rs. 21.17 crore (2.80+18.37) in the project was not fetching optimal returns. While the quarters remained vacant, the Government continued to pay house rent allowance to the officials who were unvilling to reside in Government accommodation.

MEA stated (February 2005) that the present vacancy position was 180 and the low occupancy rate was attributable to the poor connectivity of the area with the city, which would improve once the ongoing flyover and Metro Rail projects got completed.

7.2.2 Chanakyapuri officers' residential project

The Land and Development Office, New Delhi allotted two plots of land measuring 5.331 acre in the Diplomatic Enclave Chanakyapuri, New Delhi to MEA in August 1993 at a cost of Rs. 1.07 crore for construction of residential accommodation for its officers. MEA entrusted the work of planning, designing and execution to CPWD in January 1997 for construction of 8 type VI, 72 type V, 20 hostel units and a community centre at an estimated cost worked out by CPWD in June 2000 at Rs. 17.13 crore which was revised to Rs. 16.86 crore in May 2002. The cost was further revised to Rs. 19.73 crore in January 2004 and the expenditure sanction was issued in September 2004. Though the time frame for completion of the project was 30 months from the date of administrative approval, contracts for execution were yet to be awarded (February 2005).

Delay on the part of MEA resulted in increase in the cost of construction by Rs. 2.87 crore, which might increase further at the time of tendering.

MEA stated (February 2005) that CPWD had initiated the process of obtaining local body's approval and had taken up the matter with the Land and Development Office regarding variations in the land allotted and the land physically available.

7.3 Videsh Bhawan Project, New Delhi (now re-named as Jawaharlal Nehru Bhawan)

The Land and Development Office, New Delhi allotted a plot of land to MEA in two phases at Janpath for the construction of Videsh Bhawan building in 1992 and 1994 at a total cost of Rs. 1.30 crore. MEA took possession of the vacant plot only in October 1997 after removal of encroachments for which MEA had to pay Rs. 1.33 crore to the Municipal Corporation of Delhi as compensation towards rehabilitation of the evicted persons. MEA incurred expenditure of Rs. 24.90 lakh (August 1998 to March 2001) on limited design competition while it was decided (November 2003) that the work related to design and execution of the project be entrusted to CPWD. Cost estimates of Rs. 170 crore submitted by CPWD and recommended by MEA were yet to be approved by the Ministry of Finance (October 2004).

The delay on the part of MEA in constructing its own building even after acquiring the plot of land in 1997, had resulted in payment of rentals for Akbar Bhawan at Rs. 51.96 lakh per month to NDMC and for ISIL building (near Supreme Court) at Rs. 2.27 lakh per month to the ISIL Society. There was a dispute over the enhancement of rentals, as NDMC demanded a rent of Rs. 1.72 crore per month from November 2000 onwards. No rentals had been paid beyond September 2003 for ISIl building due to to re-fixation of rent. This resulted in accumulation of rental liability and interest thereon. MEA also incurred an expenditure of Rs. 3.51 crore on repairs and maintenance of Akbar Bhawan during the period 1999-2000 to 2003-04.

MEA stated (February 2005) that the CNE had approved the project at the cost of Rs. 175.57 crore in December 2004 and the approval of the Cabinet Committee was yet to be obtained. The Delhi Urban Art Commission had approved the design concept in principle in February 2005 and CPWD had given a time frame of 10 months for pre-construction activities and 30 months for construction after financial approval.

7.4 Regional Passport Offices (RPO)

7.4.1 Bangalore

The Government of Karnataka gifted (1994) a plot of land measuring three acres for construction of the office building for RPO, Bangalore which was functioning from a rented accommodation on an yearly rent of Rs. 36.54 lakh. MEA spent Rs. 15 lakh on development of the site proposed for construction of RPO building, but decided only in June/July 2000 to construct the building on this plot. A proposal for CNE approval was sent to the Ministry of Finance in April 2001. As the economic cost of the proposal was not favourable, CPWD was asked to revise the estimates in June 2002, which was done in May 2003. RPO, Bangalore forwarded further revised estimates at Rs. 6.02 crore in March 2004, while MEA issued the sanction for Rs. 5.95 crore in July 2004.

The land secured in 1994 remained vacant for more than 11 years and the passport office continued to function from a rented building entailing recurring expenditure on rent.

MEA stated (February 2005) that the tenders had been invited and the project would be completed by September 2006 as projected by CPWD.

7.4.2 Lucknow

MEA purchased (June 1993) a plot of land at a cost of Rs. 2.06 crore from the Lucknow Development Authority for construction of an office building and residences for RPO. The lease deed was signed in February 1995 and physical possession of the plot was taken in March 1997 after removal of encroachments. CPWD sent preliminary estimates in August 2002 with a project cost of Rs. 8.51 crore for construction of RPO building and 21 residential quarters. MEA scaled down the number of residential units to nine and restricted the central air-conditioning to essential areas and the revised proposal at a cost of Rs. 7.53 crore was approved (February 2003). Work on the project started in October 2003 and Rs. 69.62 lakh had been spent up to June 2004.

MEA continued to pay Rs. 1.71 lakh per month for the hired accommodation of the passport office.

MEA stated (February 2005) that 45 per cent work had been completed and the project was expected to be completed by the end of 2005.

7.4.3 Jaipur

The Jaipur Development Authority (JDA) allotted a plot of land to RPO Jaipur in May 1983 at a cost of Rs. 9.86 lakh. CPWD drew up a plan for construction in 1989, but the matter did not progress due to encroachment. which was removed in 1995. A property team visited Jaipur in May 1997 and a plot of land measuring 4739 sq. m. was allotted in lieu of the existing plot in July 1999 at an additional cost of Rs. 42.33 lakh as the earlier plot was not considered suitable. Possession of the new plot was taken in March 2001. CPWD submitted the design proposal in January 2003, which was finally approved by MEA in January 2004 at an estimated cost of Rs. 4.38 crore. Expenditure sanction was issued in September 2004 and work was yet to be awarded (February 2005)

MEA accepted an unsuitable plot of land in the first place. Subsequent delays resulted in the passport office continuing to function from hired space entailing recurring expenditure on rent.

MEA stated (February 2005) that the pre-construction activities were in progress.

7.4.4 Bhubaneshwar

A plot of land was purchased (August 1983) from Government of Orissa for construction of RPO building at a cost of Rs. 0.28 lakh. The ground rent was to be paid at Rs. 41 per annum and the construction was to be completed in all respect within 36 months from the date of possession. The lease deed was concluded in February 1984 and possession of the plot was taken in May 1984. CPWD was assigned the work (November 1989) relating to planning, designing and execution. The first drawings were submitted by it only in September 1992. After going through repeated

modifications at the instance of MEA/RPO, the drawings were finally approved and returned to CPWD in May 2004 for preparation of preliminary estimates. CPWD submitted cost estimates of Rs. 2.18 crore in July 2004, which were yet to be approved.

The land, purchased in 1983, continued to be unutilised as MEA could not finalise the project. In the meanwhile the RPO continued to function from a leased building entailing recurring expenditure on rentals.

MEA stated (February 2005) that the project cost was yet to be approved and CPWD had indicated a time frame of 24 months for completion of the project after financial approval.

Recommendation

- MEA needs to investigate the reasons for delay in completing pre-construction activities and take effective steps for speedy completion and execution of the projects. It also needs to ensure proper monitoring and control in order to avoid time and cost overruns.

8. Conclusion

Audit noticed delay s in acquisition of land, appointment of consultants, preparation of design concept, award of construction work and its execution, processing of proposals for disposal of properties and seeking requisite financial approvals. Consequently MEA had to incur substantial expenditure on rentals, and absorb cost overrun besides ending up blocking capital investments for long periods. MEA could not prevent unauthorised expenditure from being incurred by the Missions/Posts on leased and government owned properties and hiring properties exceeding rental ceilings.

MEA needs to urgently improve property management through timely finalisation of proposals for purchase as well as construction of properties including freezing of design briefs, timely appointment of consultants, execution of projects with targetted time frames and ensuring proper monitoring and control to avoid time and cost overruns besides recurring rental expenditure. MEA should also take speedy steps for prudent disposal of properties to avoid reduction in sale value and exercise effective control over Missions so that they avoid incurring unauthorised/irregular expenditure on rentals and/or repair and maintenance.

Sd/-

New Delhi;
Dated: 9 December, 2005

(Dr. A.K. BANERJEE)
Director General of Audit,
Central Revenues.

Countersigned

Sd/-

New Delhi;
Dated: 12 December, 2005

(VIJAYENDRA N. KAUL)
Comptroller and Auditor General of India.

Glossary of abbreviations

AALCO	Asia-African Legal Consultative Organisation
AE	Actual Expenditure
Algiers DA	Algerian Dinar
AS (AD)	Additional Secretary (Administration)
AS (FA)	Additional Secretary (Financial Advisor)
ATN	Action Taken Note
BE	Budget Estimates
CES	Consulting Engineering Services
CG	Consul General
CNE	Committee on Non-plan Expenditure
CPWD	Central public Works Department
CYP	Cyprus Pounds
DA	Defence Attache
DCM	Deputy Chief of Mission
Dir (Fin)	Director (Finance)
DM	Deutsche Mark
E$	Ethiopian Dollar
EAM	External Affairs Minister
EI	Embassy of India
ER	Embasy Residence
ER/CR	Embassy Residence/Chancery
FF	French Frank
FM	Finance Minister
FPGOIRA	Financial Powers of Government of India Representatives Abroad
FS	Foreign Secretary
GOI	Government of India
HCI	High Commission of India
HOC	Head of Chancery

HOM	Head of Mission
I.T.E.C.	International Technical and Economic Co-operation
IFS (PLCA) Rules	Indian Foreign Service (Pay, Leave, Compensatory Allowances and other conditions of Service) Rules
ISIL	Indian Society of International Law
JDA	Jaipur Development Authority
JS (Estt.)	Joint Secretary (Establishment)
JS (PIA)	Joint Secretary (Pakistan, Iran and Afghanistan)
K	Kina
KW	Korean Won
L I	Lowest One
MEA	Ministry of External Affairs
MRs	Mauritius Rupees
NZ$	New Zealand Dollar
PAC	Public Accounts Committee
P R	Permanent Representative
RE	Revised Estimates
R G	Representative Grade
RPO	Regional Passport Office
Singapore $	Singapore Dollar
Sq. m.	Square metre
SYP	Syrian Pound
T. Sh.	Tanzanian Shilling
T T $	Trinidad and Tobago Dollar
US$	United States Dollar
USSR	Union of Soviet Socialist Republic
ZS	Zimbabwe Dollar

MGIPMRND—3411LS—10-10-2007.

PARLIAMENTARY PUBLICATIONS CAN ALSO BE OBTAINED FROM THE FOLLOWING AUTHORISED AGENTS

Sl. No.	Name of Agent
ANDHRA PRADESH	
1.	M/s. Ashok Book Centre, Benz Circle, Vasavya Nagar, Vijaywada-520006. (A.P)
BIHAR	
2.	M/s. Progressive Book Centre, Zila School, Pani Tanki Chowk, Ramna, Muzaffarpur-842002 (Bihar)
DELHI	
3.	M/s. Jain Book Agency, C-9, Prem House, Connaught Place, P.B. No. 1113, New Delhi-11001.
4.	M/s. Bookwell, 2/72, Sant Nirankari Colony, Kingsway Camp, Delhi-110009.
5.	M/s. Rajendra Book Agency, IV-D-50, Lajpat Nagar, Old Double Storey, New Delhi-110024 (T.Nos. 26412382 & 26412131)
6.	M/s. Central News Agency Pvt. Ltd., P-23, Connaught Circus, New Delhi-110001.
7.	The Manager, M/s. Books India Corporation, Publishers, Importers & Exporters, L-27, Shastri Nagar, Delhi-110052.
8.	M/s. Sangam Book Depot, LG-3, Akarshan Bhawan, 23, Ansari Boad, Darya Ganj, New Delhi-110002.
9.	M/s. Biblia Impex Pvt. Ltd. 2/18. Ansari Road, New Delhi-110002 (T.No. 2362515)
10.	M/s. Universal Book Traders, 80 Gokale Market, Opp. New Courts, Delhi-110054 (T.No. 2311966)
11.	M/s. Seth & Co. Room No. 31 D, Block-B, Delhi High Court, Sher Shah Road, New Delhi-110003.
12.	M/s. Dhanwantra Medical & Law House, 592, Lajpat Rai Market, Delhi-110006. (T.No. 23866768)
13.	M/s. Jayna Book Depot, Chowk Chhapparwala, Bank Street, Karol Bagh, New Delhi-110005.
14.	M/s. Standard Book Co. 125, Municipal Market, Cannaught Place, P.B. No. 708, New Delhi-110001 (T.No. 23411919)
15.	M/s. D.K. Agencies (P) Ltd. A/15-17, Mohan Garden, Najafgarh Road, New Delhi-110059.
16.	M/s. Vijay Book Service C-D/123/C, Pitam Pura, New Delhi-110034.

Sl. No.	Name of Agent
MADHYA PRADESH	
17.	M/s. Suvidha Naw House, 28 Malviya Nagar, Roshanpura, Bhopal-462003.
MAHARASHTRA	
18.	M/s. Usha Book Depot, 585/A, Chitra Bazar, khar house, P.B.No. 2621, Mumbai-400002.
19.	M/s. Jaina Book Agency (India), 649-A, Giraum Road, Opp. 2nd Dhobi Talao Lane, Mumbai-400002.
PONDICHERRY	
20.	Editor of Debates, Legislative Assembly Department, Pondicherry-605001.
TAMIL NADU	
21.	M/s. M.M. Subscription Agencies, 123, Third Street, Tatabad, Coimbatore-641012.
22.	M/s. C. Sitaraman & Co. 73/37, Royappettah High Road, Chennai-600014.
UTTAR PRADESH	
23.	M/s. Law Publishers, Sardar Patel Marg, P.B. No. 1077, Allahabad (U.P.).
24.	M/s. Ram Advani Bookseller, Mayfair Building, Hazrat Ganj, GPO Box No. 154, Lucknow-226001.

MGIPMRND—3411LS(S5)—05.10.2007.